Malaya (Federation)

SECOND FIVE-YEAR PLAN 1961-1965

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PREFACE

This Report sets out the proposals of the Government for the Second Five-Year Plan. It brings the development programmes of the Federal and State Governments, local authorities and public enterprises together to form a balanced and integrated plan of social and economic development over the next five years.

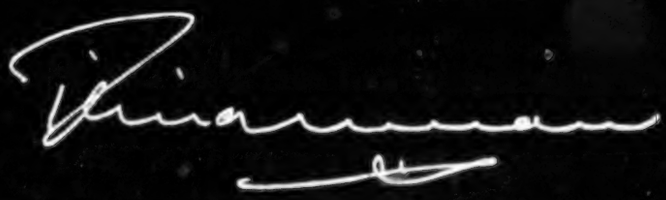
The Plan is divided into four Chapters. The first Chapter reviews the progress made under the First Plan thus enabling the ra'ayat to appreciate what achievements have been made during 1956-60 and in what respects, and for what reasons, performance has fallen short of targets. Chapter II outlines the problems and economic objectives of the Federation, and these objectives are translated into output and employment targets which it is hoped would be realised during the Plan period. The high rate of population growth, the poverty and depressed condition of rural areas and the need for economic diversification are highlighted. These pose a great challenge which has to be met if the Federation is to maintain its economic progress. It is with the full acceptance of this challenge that the Government has prepared its Second Five-Year Plan for the period 1961-65 with a level of public investment double that of the First Plan. The scale of proposed capital expenditure, the distribution of capital outlays and the expected results obtaining in each field of public development are described briefly in Chapter III in which, it will be noted, the investment pattern clearly reflects the special emphasis and priority accorded to rural development. The methods of financing the required level of investment are discussed in Chapter IV.

The Second Five-Year Plan represents "a big push" in the Government's efforts to provide for the social and economic needs of the Nation. The proposed programmes will, in course of time transform the Federation and particularly the rural sector, into a more progressive economy providing the ra'ayat with a higher level of living and also lay the foundation for further and stable economic growth.

The targets envisaged in the Plan have been framed not in terms of ideal and ambitious goals but in terms of objective feasibility which is realistic in relation to the resources and capacity of the country. The Plan will, however, require a great and sustained effort in order to mobilise the necessary physical and financial resources so as to increase production, employment and living standards. Men from all walks of life serving in the

State and District Rural Development Committees have given generously of their time and experience in local planning. The enthusiasm and sense of mission which have gone into the preparation of the Second Five-Year Plan augurs well for its success. The Government is therefore confident that with the full co-operation and active participation of the people and with the strengthening of planning machinery and close co-ordination at all levels, the Plan targets can be realised.

In presenting this Plan for adoption by Dewan Ra'ayat and Dewan Negara, the Government wishes to acknowledge the valuable assistance it has received from many quarters—from the World Bank and its staff members especially Mr. William M. Gilmartin and Mr. Ravi Gulhati, who have assisted the Government and officials serving on the Central Working Committee in the preparation of the Plan; from Federal Ministries and from State and District Rural Development Committees who had undertaken to prepare their programmes for integration and co-ordination.



(TUNKU ABDUL RAHMAN PUTRA AL-HAJ),
Prime Minister

KUALA LUMPUR,
9th January, 1961

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CHAPTER I

Review of Progress of the First Five-Year Plan 1956-60

1.—INTRODUCTION

THE FIRST FIVE-YEAR PLAN for the Federation of Malaya, called the General Plan of Development, was adopted in October, 1956, for the period ending 31st December, 1960. The Plan spanned momentous years in the Federation history. They were the years of political progress which culminated in the achievement of Merdeka on 31st August, 1957. They marked the period in which communist terrorists were crushed and the Emergency was finally brought to an end. And they were also years of significant economic advance, accomplished despite all the financial and administrative burdens of the Emergency and the financial difficulties which accompanied the world-wide recession of 1957-1958.

2. At the time of the recession, it appeared that for financial reasons the development programme would have to be stretched out over six years instead of five. The start of new projects was delayed, others in progress were temporarily halted or slowed down and some of the development momentum built up in the first two years of the Plan was lost. Fortunately, however, the recession proved short-lived and the tempo of development was once again accelerated in the last two years of the Plan.

3. Because of the difficulties along the way, total public investment during the 1956-60 period fell short of the targets set at the beginning of the Plan. But the short-fall was small—only about 15 per cent out of a total public investment plan of $1,150 million. Actual public investment was nearly double that of the preceding five years and private investment also far exceeded the levels of the period before 1956.

4. Along with the investment, the output of the economy grew substantially and more than kept pace with population which was increasing at an accelerating rate. The rise in output, together with the upswing in rubber prices of the past two years and the recent recovery of the tin industry,

carried the average income of the population of the Federation in the last year of the Plan to the highest level since the Korean boom.

5. Perhaps the outstanding economic achievement of the last five years was one from which the productive benefits have not yet been realized. This was the rubber replanting programme which is still in progress and which is of such vital importance to the economic future of the Federation. The programme has been a noteworthy success among both estates and small-holders. As a consequence the country is now the most progressive and efficient producer of natural rubber in the world—able to compete effectively and profitably in world markets against the mounting rivalry of synthetic rubber.

6. This and other accomplishments of the last five years—as well as the shortcomings and their causes—and the general progress of the economy are discussed in somewhat greater detail in the remainder of this Chapter as a prologue to the Second Five-Year Plan which the Government has now prepared to continue, on an expanded scale, the task of developing the Federation economy during 1961-1965.

II.—GENERAL ECONOMIC CHARACTERISTICS

7. It is estimated that the total population of the Federation increased from about 6 million to about 7 million during the period of the Plan. This implies a rate of growth of 3.3 per cent per annum, one of the highest rates of natural increase in the world. There has been a marked acceleration in the rate of population growth in recent years—a characteristic of many Asian countries where advance in public health is reflected in a sharp fall in the death rate. The total labour force increased by about 310,000. No comprehensive survey of employment conditions has yet been made. However a study of a few urban areas conducted in 1959 did not show an excessive level of unemployment.

8. Rough estimates of the total output of goods and services showed an increase of about 20 per cent which was more than the increase in population. Particularly marked increases were recorded in the production of rice, oil palm and small-holder crops such as vegetables and fruits. In the non-agricultural sector of the economy, there was a boom in the mining of iron-ore and there were unmistakable signs that output of manufactured goods was rising rapidly. These large increases were offset to some extent by the fact that the tin industry reacted to the world-wide recession in international trade of 1957-58 by curtailing production drastically under the terms of the International Tin Agreement. The recession also had an adverse impact on the private construction industry and on the generation of electricity.

9. The world recession caused important changes in price relationships in international trade which were of some consequence to the Malayan economy. The prices of rubber and tin, the two commodities which account for 85 per cent of Federation exports, declined significantly. In contrast, there was hardly any offsetting movement in import prices. The result was that the purchasing power of a unit of Federation exports was reduced and the national income was adversely affected. The recession of 1957-58 was followed by a sharp upswing in the prices of Federation exports and consequent rising levels of per capita income in 1959 and 1960.

10. Despite marked annual fluctuations in national income and government revenues which are characteristic of the Federation economy, the country's financial position has remained strong. The external assets of the Government, public corporations, the Federation's share of the Currency Board, Bank Negara and commercial banks increased by $600 million during the Plan period. The index number of cost of living has remained steady. The Malayan dollar enjoys an international reputation for its strength and viability.

11. During the period of the Plan, total gross investment amounted almost to $3,000 million or about 12 per cent of total income. About three-fifths of total investment took place in the private sector of the economy and the remainder was undertaken by the Federal and State Governments and other public agencies. The overall level of investment during the Plan period was about 30 per cent—40 per cent above the average for the period 1950-55.

III.—PROGRESS OF THE PRIVATE SECTOR

(*a*) MANUFACTURING

12. The main increase in investment in the private sector took place in the manufacturing field. Measured in terms of horse power, the number of machines and other installations in manufacturing establishments more than doubled between 1955 and 1959. Judging from the sample survey conducted in 1958, gross fixed investment in manufacturing amounted to $85 million or about 14 per cent of total investment. There was reason to believe that the 1958 level was considerably above that of 1955 and the expansion continued in the last two years and there was a growing awareness of the market potential of the Federation among domestic and foreign entrepreneurs. Furthermore, the industrial policy of the government provided considerable incentives to these investors.

13. The establishment of the Petaling Jaya industrial estate proved to be an important instrument for attracting industrial investment. By providing developed sites with access to basic utilities such as roads, water and power,

the estate eased the problem of starting new industries and avoided the delay that frequently occurs in direct land alienation procedures. More than 150 factory lots have been sold to enterprises producing processed foods, beverages, tobacco, pharmaceuticals, paints and chemicals, printed materials, tin containers, plastics, electrical appliances and construction materials. About 80 factories have already started production.

14. The Government has also provided substantial tax incentives under the Pioneer Industry policy inaugurated in 1958. Profits of enterprises which qualify as "pioneer" industries are exempted from income tax for a period ranging from two to five years. So far, more than 50 firms with a called up capital of about $27 million and producing 238 products have been awarded pioneer status. About 35 of these units will have started production before the end of the First Plan period.

15. An important structural change has taken place in the manufacturing sector during the last decade or so. The main handicraft industries, i.e. rattan, attap, clothing and jewellery have declined in importance relative to the factory type, capital-intensive industries. Total employment in the handicraft industries declined from 46,000 in 1947 to 34,000 in 1957. In contrast, factory employment rose from 80,000 to 102,000 during the same period. Total employment in the manufacturing sector might be roughly estimated at 145,000 in 1960 compared with about 133,000 in 1955 or an increase of about 9 per cent during the Plan period. No indicator of total manufacturing output was available, but it was likely that the increase was of the order of about 20 per cent-25 per cent. The most rapidly growing industries were biscuits, soft drinks, cement, wood-working and light engineering.

(*b*) MINING

16. Investment in the mining sector remained stable during the Plan period. Capital outlays in the tin industry were curtailed but this decline was offset by the increased investment in the mining of iron-ore.

17. Although aggregate investment in the tin industry declined, notable technological progress was made in the methods of production. The "hydro-cyclonic jig", a relatively simple device designed by the government Mines Department to separate tin from alluvial soil, was introduced to the industry. The jig is now being produced commercially in the Federation and abroad and its use is spreading steadily. The reported gain in efficiency is about 30 per cent compared with traditional methods and this has improved the possibilities for mining and re-mining in areas containing lower grade ores.

18. The tin output has not shown any tendency to increase during the 1950s. The Federation's export quota is determined by the terms of the

International Tin Agreement. Exports were curtailed to the extent of 36 per cent in 1958 and 1959 and it was expected that they would regain their normal level during the latter part of 1960. By contrast, iron-ore production and exports had risen rapidly during the Plan period from about 1.5 million tons in 1955 to about 4.0 million tons or more in 1960. It was estimated that about 58,000 workers or 3 per cent of the labour force was employed in the mining sector in 1960.

(*c*) AGRICULTURE

19. Agriculture is by far the largest sector of the Federation economy, providing employment to about 58 per cent of the labour force and accounting for about 47 per cent of total output. A large part of the increase in investment in this field took place under the stimulus of various government programmes designed to promote rubber replanting and new planting, to increase irrigation supplies and to launch new land development schemes. The success of these programmes will be appraised in the next section of this report.

20. It is roughly estimated that the total cultivated area increased by about 5 per cent during the Plan period and the volume of agricultural output increased by about 12 per cent-15 per cent. The output varies considerably from year to year and the percentage changes shown in the following table should be interpreted cautiously.

TABLE I

CHANGES IN CULTIVATED AREA AND OUTPUT

Crop	*Area* (percentage increase)	*Output*	*Period*
Rubber	4.5	12	1955-60
Rice	8.0	30	1955-60
Oil Palm	14.0	27	1955-59
Coconut	(not available)	−13	1955-59
Food and Fruit crops ...	11.0	(not available)	1955-58
Timber	—	9	1955-59
Fish	—	8	1955-59
Meat	—	6	1955-59

21. Although total acreage under rubber increased, the rubber replanting programme implied a fall of 10 per cent in the mature acreage tapped during the last five years. Nevertheless, there was some rise in output resulting from increasing average yields. In padi cultivation too, there was a marked tendency for yields to increase as a result of the larger availability of irrigation supplies, the successful extension of double cropping experiments with improved varieties of padi and the use of fertiliser, including urea,

supplied through co-operative societies. The incentive given to padi planters by the additional income derived through organised marketing and processing of padi on a co-operative basis and the eradication of the "padi kuncha" system of borrowing by the supply of credit through the co-operatives were other factors which encouraged greater production of padi. The serious decline in the output of coconut oil and copra is due to the deterioration of coconut land and to the large proportion of overaged trees.

22. On the whole, the private sector of the economy made considerable advance during the period of the Plan. The world-wide recession in international trade created a serious disturbance in the overall economy and adversely affected output and investment in some sectors. However, the Plan terminated in a boom year when production was at a peak in almost all industries. The termination of the Emergency, the political stability, the strength and stability of the currency and the character of Government's economic policies provided a favourable framework within which private entrepreneurs could operate. These policies need to be developed further during the next phase of the Federation's economic development. In particular, steps have to be taken to expedite land alienation procedures and to see that the availability of public utilities—roads, rail-transport, ports, power—keep in step with the growing demands of the private sector.

IV.—PROGRESS OF THE PUBLIC SECTOR

23. Investment expenditures undertaken by Federal and State Governments, municipalities and autonomous public enterprises were estimated to be about $100-$120 million per annum in the few years preceding the first development plan. By setting a target of about $1,150 million for the period 1956-60, the Plan attempted to raise the annual level of public investment by about 100 per cent. In all likelihood, this ambitious goal will be substantially achieved. Actual development expenditures will probably average $194 million per annum or $970 million for the five years. Appraised in terms of overall magnitudes, the plan for public investment was a considerable success. The target for development expenditures was fulfilled to the extent of about 85 per cent.

24. Some of the important reasons for the shortfall can be identified. Although the political transition to Independence was orderly and gradual, a certain amount of readjustment in the Government's administrative machine was unavoidable. Furthermore, the problems raised by the Emergency continued to absorb until recently the Government's time and resources. Land offices had to tackle large backlogs of applications and

this imposed a drag on new developmental activity. Finally, the world-wide recession caused a serious disturbance in the Government's finances. The tempo of investment expenditures had been built up to a level of more than $200 million by 1957. The following year witnessed a reduction of nearly 10 per cent. The sectors most affected by the 1958-59 stringency were irrigation, ports, civil aviation, railways and construction associated with the postal, health and education programmes. It was not till the final year of the Plan that the administrative machine could shift again into high gear. The following table shows the pattern of actual public investment expenditures and compares it with the sector targets of the First Plan.

TABLE II

GROSS PUBLIC INVESTMENT 1956-1960

Sector	*Plan Target*	*Approximate Actual*	*Approximate Actual as percentage of Target*
	(millions of dollars)		%
Agriculture	*265.6*	*237.5*	*86*
Rubber Replanting	160.0	153.4	96
Drainage and Irrigation	60.0	38.3	64
Land Development	15.0	16.7	111
Survey	9.7	3.6	37
Fisheries	5.1	2.4	47
Forestry	3.2	2.2	69
Animal Husbandry	1.5	1.7	113
Research and Extension Work	2.7	2.4	89
Other (R.I.D.A.)	8.4	6.8	81
Transport	*222.5*	*206.5*	*93*
Roads and Bridges	70.0	95.2	136
Railways	93.0	71.4	77
Ports	49.0	37.0	76
Civil Aviation	10.5	2.9	28
P.W.D. Plant and Equipment	*13.0*	*23.6*	*181*
Communications	*63.3*	*51.6*	*82*
Telecommunications	55.0	47.4	86
Broadcasting	3.8	2.7	71
Posts	4.5	1.5	33
Utilities	*214.5*	*238.6*	*111*
Electricity	130.0	142.0	109
Water	69.6	80.6	116
Sewerage	14.9	16.0	107
Industry	*15.8*	*12.1*	*77*
Site development, etc.	14.0	11.1	79
Mining Survey	1.8	1.0	56

Sector	*Plan Target*	*Approximate Actual*	*Approximate Actual as percentage of Target*
	(millions of dollars)		%
General	*141.3*	*73.0*	*52*
Municipal Development ...	36.6	14.2	39
Government Buildings ...	32.3	48.8	151
Miscellaneous (includes Police)	72.4	10.0	14
Social Services	*212.7*	*138.8*	*65*
Education	95.4	60.9	64
Health	50.0	12.7	25
Housing	67.3	65.2	97
Total Public Investment ...	*1,148.7*	*971.7*	*85*
Defence	—	35.0	
GRAND TOTAL ...	—	*1,007*	

(*a*) AGRICULTURE

25. The scheme to assist rubber producers in carrying out a massive replanting programme to replace over-aged and low-yielding trees with high yielding materials has proved to be an effective way of preparing the industry to meet the challenge of synthetic rubber. Provided with financial assistance from the replanting cess on smallholders rubber (Fund B) and the Government, 308,000 acres have been replanted and holdings have been extended by 86,000 acres. Similarly, the estates have replanted 357,000 acres and extended their holdings by 79,000 acres. The progress made by the rubber industry can be measured by the fact that the area (mature or immature) under high-yielding materials has risen from 30 per cent to 46 per cent of the total rubber acreage during the Plan period.

26. The basic objective of the Plan in relation to rice was to step up production by providing irrigation facilities to already cultivated areas and, to a minor extent, to new land. The physical target was to increase irrigated areas from about 270,000 acres in 1955 to 500,000 acres in 1960. The actual record was one of impressive achievement. Among others the South Perlis scheme, the first stage of the Kubang Pasu and the Trans-Perak River schemes, the Bernam River Diversion, the Muda River and the Pasir Mas schemes had been completed. By the end of the Plan period the irrigated area will be extended to about 390,000 acres. The factor mainly responsible for the shortfall of nearly 48 per cent was the scarcity of experienced engineers.

27. The Plan aimed at carrying out drainage and protective works for the rehabilitation and improvement of coconut and rubber lands situated on the West Coast of the country. The physical target was to increase the

coverage of such works from 282,000 acres to 422,000 acres. In fact, only about 60 per cent to 65 per cent of the target will have been achieved by the end of the Plan period.

28. The Federal Land Development Authority (F.L.D.A.) was established in 1956 to open up virgin jungle for agricultural operations and for new land settlements. After the initial clearing of jungle by contractors, carefully selected settlers become residents and provide all the labour required to develop the area, build their houses and plant rubber. Meanwhile, credit is advanced for sustenance and materials for a period of two years when it is expected that the settler can make a living from raising livestock, vegetables and padi. F.L.D.A. expects to recover loans from settlers starting with the seventh year when rubber is ready for tapping. Settlers should be able to earn at least $300 per month net when the scheme is in full operation.

29. During the period of the Plan, F.L.D.A., in conjunction with State Governments, started 22 schemes in nine different States and by the end of 1960 they were in different stages of completion. Nearly 30,000 acres were cleared and rubber had been planted on about 15,000 acres. About 3,500 families had been settled on these schemes. Although these achievements fell far short of the physical targets envisaged at the outset, they constituted an impressive record considering the many difficulties encountered by F.L.D.A. The speed and efficiency of land development was determined by (*a*) the degree of co-ordination among numerous government departments at the State and Federal levels, (*b*) the availability of skilled managers, and survey staff and (*c*) the existence or otherwise of a clear land-use policy. It is clear that action will have to be taken to improve these conditions if the work of F.L.D.A. is to be speeded up.

30. Actual development expenditure of F.L.D.A. amounted to $10 million. The remainder was spent by State Governments on schemes operated directly by State officials.

(*b*) TRANSPORT AND COMMUNICATIONS

31. In its original formulation, the Plan provided for an expenditure of $30 million on the improvement of trunk roads and the construction of bridges thereon. Another $35 million was provided for the construction of new State and rural roads and bridges as well as the widening and surfacing of the existing network. The remainder was for municipal roads. Actually a much larger programme with a different set of priorities was carried out. Factors mainly responsible for substantial revisions of the original priorities were (i) the exigencies of the Emergency, (ii) reluctance of State Governments to accept Federal assistance on a loan basis for

road construction, and (iii) the availability of external finance from the United States Development Loan Fund towards the end of the Plan period.

32. Nearly $68 million were spent on Federal roads and bridges and about $24 million on State and rural roads. A few of the major achievements were:

(*a*) the construction of a bridge over the river at Klang,

(*b*) the replacement of 25 major bridges which were considered to be a dangerous traffic hazard,

(*c*) the completion of the Temerloh-Maran road reducing the distance from Kuala Lumpur to Kuantan by 75 miles,

(*d*) the construction of the four-mile dual carriageway through Petaling Jaya,

(*e*) the surfacing and general improvement of the East Coast route and other sections of the Federal road system,

(*f*) Emergency roads were completed in Kedah,

(*g*) the first stage of the Ajil-Jerangau road in Trengganu was opened to traffic,

(*h*) road construction was progressing satisfactorily in the Trans-Perak irrigation area, and

(*i*) the standard of many existing State roads was raised considerably.

33. The total mileage of the Federal and State road system increased by about 10 per cent from 6,383 in 1955 to an estimated 6,995 in 1960. The main emphasis of the programme carried out was on road improvement rather than on new road construction. Substantial benefits should accrue in the form of lower fuel consumption and tyre-wear per ton-mile as well as quicker travel and a lower accident rate. The density of traffic on the country's road system has risen markedly. The total number of motor vehicles registered increased by 76,000 or by 80 per cent during the Plan period. It was estimated that 75 per cent of total passenger-miles and 60 per cent of total ton-miles travelled were by road transport.

34. The Malayan Railway succeeded in completing the first phase of the dieselisation programme. About 55 per cent of the total engine-miles travelled are now by diesel locomotives. In addition, some wagons have been equipped with vacuum brakes and the railway communication network has been improved. There were two main reasons for the under-fulfilment of the programme of capital expenditure. The first was the financial stringency of 1957-58. Contracts had to be cancelled and projects were left unfinished. Secondly, a part of the original programme was later found to consist of projects of secondary priority and it was decided to postpone them. The number of passengers travelling on the railways has not increased during the Plan period. The volume of goods traffic declined sharply during the

recession but has picked up considerably in step with the overall economy. The schedule of freight rates was reduced sharply during 1958 and 1959.

35. The Penang Port Commission has completed the construction of two ferry terminals and has purchased four new ferry vessels to operate between Penang island and the mainland at Butterworth. The new ferry service was opened in 1959 and eliminated the long queues of vehicular traffic which used to be common. The Commission has also improved its dockyard and its repair facilities. The main shortfall in the port programme concerned the development of three deep-water berths at North Klang Straits. When the First Plan was formulated, it was expected that these berths would be in use by 1960. It appears now that the project will be completed by the end of 1963. Prolonged investigations regarding the best site combined with financial stringency led to a series of postponements. It was only in 1959 that funds could be obtained from the United States Development Loan Fund. Meanwhile, it was decided to extend the coastal wharf and construct another deep-water berth at the present site of Port Swettenham, which should be ready by 1961. Total cargo handled by the Federation's major ports rose by nearly 50 per cent during the period of the Plan. Most of this increased traffic was handled by lighters and a more intensive use of existing deep-water berths.

36. The programme for the development of civil aviation consisted of miscellaneous improvements at existing airports and further development of the Kuala Lumpur airport to enable it to service all kinds of commercial aircraft by day or night. This programme came to a standstill during the recession and when the financial situation improved it was decided to construct a new airport at Kuala Lumpur instead of developing the existing one. Although a large part of the proposed programme was abandoned, general improvements were completed at Penang and Malacca airports.

37. Nearly nine-tenths of the overall programme for developing telecommunication facilities was actually implemented during the Plan period. In physical terms, the progress achieved could be indicated by the fact that the number of subscriber stations increased by 30 per cent, the capacity of rural telephone exchanges rose by 24 per cent and the trunk and junction network increased by 84 per cent. It was estimated that the number of people registered on the waiting list at the end of 1960 would be only 4 per cent of the total number of customers being served.

38. Mainly as a result of financial restrictions most of the projects aimed at improving postal services had to be postponed. Nevertheless, steps were taken to extend facilities to the rural areas. The number of post offices in the Federation increased by 10 per cent and a team of 23 mobile postal units started operating in the remote districts of the country.

(c) UTILITIES

39. The programme for the generation of electricity has proceeded according to schedule. Actual installed capacity of the Central Electricity Board network increased by about 27 per cent during the Plan period. The first stage of the Malacca steam station and the Robinson Falls hydro-electric station were commissioned into use. The capacity of existing diesel units was increased substantially. Construction went ahead on the Cameron Highlands scheme, the first stage of which was due to be completed in 1963, as well as other minor projects. The capacity of the transmission and distribution system was increased by 55 per cent-60 per cent. In addition to the C.E.B. programme, the Penang City Council commissioned their new steam station and a large number of licenses were issued to private parties who installed new equipment. Altogether, the installed generating capacity in the country is estimated to have risen from 296,000 k.w. to 392,000 k.w. Actual consumption of electricity in the Federation increased by 13 per cent from 1955 to 1957, declined sharply during the recession years, but rose rapidly again in 1959 and 1960 to a level probably 30 per cent—40 per cent higher than in 1955.

40. It is estimated that capital expenditures on waterworks has increased daily supplies by 50 per cent during the Plan period. The major achievements were the new waterworks at Kuala Lumpur and George Town. Similarly, substantial work was done on sewerage schemes in these two urban areas.

(d) SOCIAL SERVICES

41. The First Five-Year Plan proposals in the field of education were based on the recommendations of the Razak Report. Although it was possible to carry out only about 63 per cent of the programme of capital expenditure, notable progress was achieved along many lines.

42. The number of students in assisted primary schools increased by nearly 45 per cent during the Plan period. One of the major targets of the Plan was fulfilled in 1958 when it became possible to offer school admittance to every child of six years age. The number of students in assisted secondary schools more than doubled during the same period. By 1960, the number of pupils attending primary schools (all types) was about 95 per cent of the estimated primary age-group (6+ to 11+) and secondary educational institutions of various types catered for an enrolment amounting to 23 per cent of the secondary age-group (12+ to 16+). The greater part of the expansion in school facilities took the form of running double shift in existing buildings. The supply of teachers kept pace with the number of students, although shortages of trained personnel had to be met by recruiting less than fully qualified teachers. Steps were taken to increase

teacher training facilities. Four new residential training colleges and 12 day training centres have been established. Existing non-qualified teachers were trained by correspondence. A beginning has been made in the field of technical education. Eight Sekolah Lanjutan Kampong (Rural Trade Schools) have been built and two of the existing Junior Technical Trade Schools have been converted into Technical Institutes. In addition, the Technical College in Kuala Lumpur is now offering diploma and professional courses in engineering, architecture and surveying. The University of Malaya in Kuala Lumpur has been established and is now offering degree courses in arts, sciences, engineering and agriculture.

43. It was not possible to implement more than 25 per cent of the health programme of capital expenditure under the Plan because of administrative delay due to changes in 1958 when the administration of the Medical and Health Services was transferred from State to Federal responsibility, severe difficulties in obtaining land suitable for new buildings and financial stringency. Nevertheless, a start was made on the rural health scheme designed to provide general medical facilities to the population. The basic unit is the main centre with 4 sub-centres and 25 mid-wife clinics which covers a population of 50,000. So far, 9 such main centres have been established but they do not yet have the full complement of sub-centres and mid-wife clinics. In addition, a considerable sum was spent on the improvement and reconditioning of district hospitals and general hospitals in the urban areas. It is estimated that the number of in-patients in government hospitals increased by 20 per cent during the Plan period. This is one of the signs of a growing acceptance of scientific medicine in recent years.

CHAPTER II

Problems of the Economy of the Federation of Malaya and the Objectives of the Second Five-Year Plan

I.—ECONOMIC PROBLEMS

44. The economic accomplishments of recent years have been impressive, as attested by a relatively high standard of living, financial stability and world-wide recognition of the strength of the Federation economy. Yet these accomplishments of the past allow no margin for complacent pause before turning to the future and facing the difficult problems to be met in maintaining the Federation's economic progress.

45. The population is growing at more than 3 per cent a year, and this fact alone imposes a forced pace of economic growth if only to keep up with the constantly pressing demand for more jobs, more food, clothing, housing and other necessities, more schools and more health services. In the next five years the population is expected to increase by more than a million persons. Nearly 340,000 workers will be added to the country's labour force. And the number of children of primary school age will increase by about 200,000.

46. Added to the demands imposed on the economy by rapid population growth is the further problem of the depressed situation and land hunger of large numbers of the people in the rural areas. Surveys of consumption levels throughout the Federation confirm the poor living conditions prevailing over much of the countryside. And this unsatisfactory situation is compounded in many areas by over-crowding on the land and the frustration of ambitions to acquire land because of inadequate assistance

and the very slow progress in land alienation. Without a vigorous and widespread rural development effort on many fronts, the rural situation can only continue to deteriorate.

47. Finally, among the Federation's major economic problems there is the over-specialization and excessive dependence of the economy on a single product—rubber. At present, natural rubber accounts for over 25 per cent of the national income, nearly 30 per cent of employment, and about 60 per cent of exports. As a result the entire economy is vulnerable to the year-to-year fluctuation of world rubber markets and the impact of technological developments in synthetic rubber.

48. The immediate problem is not a serious one, even though expansion and improvement of synthetic rubbers may keep future natural rubber prices at lower average levels than in the past. With the past achievements of the rubber replanting programme and with the further spread of high-yielding varieties, the Federation's rubber industry can continue on a profitable basis despite any technological developments in synthetic rubber that now appear in prospect. There is, however, always the possibility that ways will be found in the future to produce natural-type synthetic rubber at much lower cost than at present. And there is the further possibility, though remote, that eventual technological developments might lead to types of synthetics which could outperform natural rubber over the whole range of uses and be produced at reasonable cost.

49. Such possibilities are mentioned, not with any expectation that they will actually occur, but only to emphasize the long-standing need of the Federation economy for diversification—for less dependence on rubber and a relative increase in the importance of other lines of production. This need for diversification does not reflect any concern about the future of natural rubber. Rather, there is every reason for confidence that rubber will continue to compete in world markets, even if prices were to fall below levels that can be reasonably foreseen. Further expansion and improvement of rubber production is essential to the country's future economic welfare. The problem is simply one of using every opportunity to develop other lines of agricultural and industrial production as well, so that the economic future of the Federation will be less closely bound to the annual variations and long-run fortunes of a single product.

50. The task of achieving satisfactory economic progress is not an easy one in the face of the difficult problems of the Federation economy—the high rate of population growth, the depressed condition of the rural areas, and the need for economic diversification. It is a task which challenges the public and private sectors to a much greater development effort in the next five years than during the last five. It is with full acceptance of this challenge

that the Second Five-Year Plan of Development for the period 1961-1965 has been framed.

II.—OBJECTIVES OF THE PLAN

51. The broad objectives of the Plan may be briefly stated:

(1) To provide facilities and opportunities for the rural population to improve its levels of economic and social well-being;

(2) To provide employment to the country's population of working age which is likely to increase by about 15 per cent during the Plan period;

(3) To raise the *per-capita* output of the economy and to protect *per-capita* living standards against the adverse effects of a possible decline in rubber prices;

(4) To widen the variety of Malayan production, emphasizing the development of other suitable agricultural products in addition to rubber, and giving every reasonable encouragement to industrial expansion which in the long-term offers perhaps the greatest promise for sustained development and diversification of the Federation economy;

(5) Finally, while stressing the importance of development which will meet production and employment requirements, to improve and expand the social services needed to provide educational opportunities for the rapidly growing school-age population, to extend the public health services over a wider coverage of the rural as well as urban population, to assist in large measure in the provision of housing and to provide more adequately for rural and urban utilities.

52. The objectives of the Second Five-Year Plan may be framed alternatively in the form of targets of output and employment among the individual sectors of the economy. And these targets must be considered, not in terms of aims which might be ideally desirable, but rather in terms of practicable possibilities which are realistic in relation to the resources and capacities of the economy. They are targets which can be achieved over the next five years if the energies and spirit of the nation are geared to the momentum of development that is necessary.

53. The specific output and employment goals of the Second Five-Year Plan and the required financial resources to reach these goals are discussed in the remainder of this chapter. Chapter III will describe the programmes of capital expenditure to be undertaken by the Federal and State Governments as well as public enterprises. Finally, Chapter IV will discuss ways and means of financing the required volume of investment in the public and private sectors of the economy.

III.—PRODUCTION AND EMPLOYMENT TARGETS

(*a*) AGRICULTURE AND RURAL DEVELOPMENT

54. The unused economic potential of the rural areas of the Federation is still large. But a major public and private effort is needed to develop this potential at a sufficient pace to keep output ahead of the growth in the rural population and to provide land and employment for the increasing number of rural workers. Specific measures to secure this objective during 1961-65 are described in Chapter III. Much of the additional output expected from this programme will not, of course, be realised by 1965. Five years is too short a period to bring rubber and other tree crops to maturity and to complete and utilise irrigation, drainage and other projects. Some of the 1961-65 investment will, however, produce quick returns and these will be supplemented by substantial addition to rural output expected from the replanting, new planting and other development programmes carried out during the last Plan period.

55. The increase in rubber output during the next five years mainly depends on the rate of replanting that takes place. One of the basic targets of the Plan is to maintain the rate of replanting at the level actually achieved during the last five years. Although there should be an increase in the total acreage under rubber, the mature area will decline. Nevertheless, rubber production will increase by more than 10 per cent, i.e., at almost the same rate as in the last five years, owing to the general improvement in yields. It is expected that output will increase much more rapidly after 1965. The target for rice output during the Second Plan period is much more ambitious than for rubber. The recent completion of numerous irrigation schemes make possible the widespread use of double cropping technique and fertilisers. Rice output can be expected to increase in step with domestic consumption so that imports should remain at a more or less constant level. Gains are expected in other rural products as well—oil palm, tea, tobacco, a variety of fruits and vegetables, livestock and poultry, and fish. In total, a rise in rural output of 15 per cent or more by 1965 seems a reasonable prospect although some part of the income from this increase may be lost in the event of a fall in export prices for rubber.

56. A considerable rise in rural employment can be expected from programmes included in the Second Five-Year Plan and from development activities which have been carried out in the past. It is not likely, however, that all of the expected increase in the present rural population of working age will be absorbed in rural employment. Instead, with the growth that is foreseen in the economy as a whole during 1961-65, there should continue to be a net flow of workers of rural backgrounds into non-agricultural employment as has been the past trend in the Federation and most other

countries. Prospective non-farm job opportunities are subsequently discussed. The point to be emphasized here is that rural employment will also need to be considerably expanded to prevent an excessive exodus from agriculture or an increasing problem of rural under-employment or both. The tapping and processing of increased rubber output can be expected to generate about 35,000 new jobs. The rise in rice output will mostly be reflected in a reduction of under-employment of existing cultivators. However, acreage under rice is expected to increase and about 30,000 additional workers can be expected to find new jobs. Increased output of other miscellaneous crops, livestock, fish and forest products will be accompanied by some rise in employment. Government sponsored schemes to develop new land for cultivation will generate about 45,000-50,000 additional jobs. The overall target is to provide jobs for about 130,000-150,000 additional agricultural workers or 10 per cent-12 per cent more than the present number.

57. The targets in the field of rural development are impressive and ambitious. These objectives cannot be realized easily. The organization of planning at the district and State levels, the results of which are embodied in 70 Red Books, represents a real achievement and has generated great enthusiasm. This "Red Book" spirit and drive must now be enlisted in the campaign to transform the targets of rural development into actual results.

(*b*) MINING

58. Increase in tin output and employment are likely to be modest during the next several years because of slow growth in world requirements and depletion of the better grades of Malayan deposits. The improvement in techniques of tin mining and separation should, however, maintain the tin industry on a sound financial basis despite declining average quality of ores. A rise in output and employment from the 1960 level by 8 per cent or 10 per cent by 1965 appears a reasonable expectation on the basis of production and market considerations.

59. A far larger rate of expansion, possibly as much as 50 per cent. can be expected in iron-ore production in the light of market prospects and as the mine at Rompin in Pahang comes into production along with additional output in other areas. Substantial increases in quarrying and clay production also appear likely with prospective expansion in construction and in the domestic production of building materials. In all, output and employment in the mining industry may increase by about 15 per cent above present levels by 1965.

(*c*) MANUFACTURING

60. Although the role of manufacturing in the Federation economy is

still a small one, recent additions to the country's manufacturing capacity have been most impressive, as previously noted. For the future, the importance of manufacturing to the Federation's long-run development and economic diversification can hardly be over-emphasized. It is the policy of the Government to rely on private initiative for this development, but at the same time to encourage the growth of private industry through every reasonable means of assistance, consistent with the general interest. The response from the private sector to this policy has been a matter of considerable satisfaction.

61. Perhaps the basic contribution that Government can make to industrial growth is the preservation of a sound and stable monetary and financial climate, free from all the restrictions, controls and uncertainties which are the inevitable accompaniments of financial instability and inflation. Beyond this, measures to give special assistance and encouragement to new and expanding industrial establishments will be continued during the Second Five-Year Plan. The Government has participated in the creation of Malayan Industrial Development Finance, Ltd., an organization to provide credit on reasonable terms for sound industrial ventures. Financial support for this institution will be continued during the Second Five-Year Plan. The beneficial results of the industrial estate project at Petaling Jaya have been previously described and the Plan provides for the establishment of additional estates of this kind during 1961-1965 at various sites in Penang, Perak, Selangor and Johore which are now under consideration. The general policy of the Government is to try and secure an equitable regional distribution of new industrial locations. However, it is recognised that the development of sites far away from ports and major markets can only be secured by offering specially attractive terms for land and services.

62. It is further recognised that in a developing country such as the Federation of Malaya, the limited size of the domestic market and other initial difficulties of launching new industries justify special assistance during the early years of an industrial operation. It was for this reason that the "pioneer industry" policy was adopted to give tax relief during the first two to five years of operation of an approved industry. This policy will be continued. Sympathetic consideration will continue to be given to justified requests for duty exemption on the required raw material imports of an industrial venture. And tariff protection as an encouragement to new industries will also be considered as a temporary means of assistance to "infant industries" in cases where there is every prospect that they will become fully competitive by the end of the protected period. Protective duties were recently imposed on sulphuric acid, pesticides, tyres and tubes, aluminium household utensils, hard soap as well as on other articles.

63. Under these policies, it is expected that the relatively substantial expansion of industry during the past few years will continue. The establishment of two oil refineries at Port Dickson is under consideration. They involve an investment of $117 million and a capacity of 1.75 million tons per annum. The Malayan Industrial Development Finance, Ltd. have recently agreed to finance investments in the match and plastic industries and several other applications are under consideration. Firms wanting to produce beer, sugar, flour, aluminium, paper, fertilizers, and iron and steel have applied for pioneer status and these are now under consideration. In general, the prospects for manufacturing investment appear quite buoyant, and it appears reasonable to expect the level of industrial output during 1961-1965 to be 50 per cent—75 per cent larger than in the last five years. The rise in industrial employment would be proportionately less with the trend towards more capital-intensive kinds of production. But an increase of around 20 per cent, or about 30,000 additional industrial workers appears a reasonable expectation.

(*d*) CONSTRUCTION

64. The construction industry can be expected to continue as a major field of expanding output and employment, as it has been in the last decade, under the stimulus of the substantially increased rates of public investment of the Second Five-Year Plan and the expected rising trend of private commercial and industrial building and housing. With these objectives the employment requirement in the construction industry may rise by as much as 75 per cent, providing additional jobs for about 60,000 workers.

(*e*) TRANSPORT

65. The improvement and expansion of the Federation's transport system is given major emphasis in the Second Five-Year Plan and specific proposals towards this end are described in Chapter III. With this increase in transport capacity and efficiency, with the probable growth in domestic production and imports, and with accompanying private investment in goods and passenger vehicles, the volume of transport traffic of all kinds is likely to be 20 per cent—25 per cent larger than at present. On this basis the number of transport workers engaged in operating, servicing and maintaining the transport capacity is likely to increase from around 80,000 at present to around 100,000 by 1965.

(*f*) UTILITIES

66. A substantial investment in electric power capacity is provided for in the Second Five-Year Plan in order to keep up with the rapid growth in power demand. In all, a 30 per cent increase in consumption of power is envisaged by 1965. A large increase in rural and municipal water

supplies is also provided for in the Plan, involving an investment nearly twice as large as that of the last five years. The relative increase in the utility services of the country will then be substantial. The additional employment involved in the construction of added utility capacity has, however, been taken into account in the preceding discussion of construction, and the added employment of utility operation and maintenance personnel will not be substantial, perhaps 4,000 or 5,000 workers.

(*g*) GOVERNMENT SERVICES

67. The estimated increase in annually recurrent expenditure of the Federal and State Governments (exclusive of pensions and debt service) during the period of the Second Five-Year Plan is approximately 25 per cent. Most of this increase will be associated with additional personal emoluments although the rise in numbers of government workers is not expected to be proportionately quite as large as in total recurrent expenditure because of allowance for salary increments of present staff and some relative increase in the number of professional and higher grade officials required for administration and execution of the development plan. It is reasonable to expect, however, that employment in the public services will increase over the next five years by about 18 per cent or by about 35,000 persons.

68. Among the different public services, by far the largest increase in personnel will be in education, to meet the teacher requirements and other needs of the expanding education system, and in public health to extend the coverage of medical services in the rural areas and to improve the services in the urban areas. In accordance with the Plan, recurrent expenditure on education would increase by about 55 per cent by 1965, and on health by almost 40 per cent.

(*h*) OTHER SERVICES

69. The value of commercial and personal services can be expected to rise at least in correspondence with the general growth of the economy. On the other hand employment in these service activities may rise more slowly in view of existing under-employment in many kinds of commercial and personal service. Present employment in the various fields of private service activity may be estimated at nearly 340,000. Allowing for a reasonable increase by 1965 of 10 per cent to 15 per cent, the expected additional employment may be put at about 40,000 workers.

70. To summarise the preceding discussion of the output and employment objectives of the Second Five-Year Plan—it appears reasonable and practicable to aim towards an expansion of 20 per cent to 25 per cent in the total national output of the economy during the next five years. And with this expansion, employment opportunities should be created on a sufficient

scale to provide jobs for the expected increase of almost 340,000 workers.

71. A tabular summary of the output and employment expectations of the Second Five-Year Plan is as follows:

TABLE III

OUTPUT AND EMPLOYMENT TARGETS

Sectors	Volume of Output in 1965 (1960=100)	Employment		
		1960	1965	1965 (1960=100)
		(thousand workers)		
Agriculture	115	1,300	1,440	111
Mining and Manufacturing	136	200	240	120
Construction	179	80	140	175
Transport and Utilities	124	95	120	126
Government Services	122	200	235	118
Other Services	115	340	380	112
Total	*122*	*2,215*	*2,555*	*115*

72. Achievement of these objectives would not only provide employment opportunities for the growing labour force, but would also represent an average rate of expansion in total output of the economy at over 4 per cent a year, or more than the expected rate of population growth of about 3.3 per cent. It is to be noted however, that this target rate of expansion is expressed in terms of the volume of output of goods and services and does not take account of price changes that may occur during the 1961-1965 period. Realistic planning for the next five years must take into consideration possible price movements—and especially the prospects for rubber prices.

73. Now, at the beginning of the Second Five-Year Plan, world prices for rubber have already fallen considerably below the average price in 1960. And the price by 1965 may be still lower as a result of increasing competition from synthetics. It is only prudent to allow for this possibility, therefore, in assessing the gains to be realised from the Five-Year Plan. Consequently, the assumption is made here and in the subsequent financial calculations that rubber prices by 1965 will be at about 80 cents per pound compared with more than $1.05 on the average in 1960. If this assumption proves correct and rubber prices do in fact so decline, the increase in national income during the Plan period would be 14 per cent compared with 22 per cent at constant prices. This would mean, of course, a somewhat slower increase in the level of total private consumption than would be the case with a more optimistic assumption about the trend of rubber prices.

74. It need not mean, however, any decline in *per capita* consumption from the level reached in 1960. Instead, allowance is made in the Plan for maintaining consumption standards of the population during 1961-65, even in the event of the assumed decline in rubber prices. The implication of this would be a growth in total private consumption at a somewhat higher rate than growth in the value of the national output. And this, along with a substantial increase in investment, is a feasible objective which can be reached through some prudent use of existing foreign balances and a moderate reliance on external sources of financing, as will be explained more fully in Chapter IV.

IV.—INVESTMENT REQUIREMENTS

75. The magnitude of the challenge before the Federation, if it is to achieve the objectives of the Second Five-Year Plan, can be measured by the increase in public and private investment which will be required during the next five years. The estimated investments needed in each of the different sectors of the economy to reach the output and employment targets of the Plan add up to a total of about $5,050 million during the five-year period. This requirement is two-thirds greater than the actual investment which took place in the last five years and represents an average annual level of investment during 1961-1965 about 50 per cent larger than the probable figure in 1960. It means raising the rate of gross investment from about 12 per cent of the national output at present to about 18 per cent by 1965.

76. The largest proportionate increase in investment under the Plan would be in the public sector, in which gross investment requirements during 1961-1965 are estimated at $2,150 million or more than twice the amount of the actual investment in the last five years. The successful implementation of this programme of public investment will strain the technical and managerial capacity of the public services. The Plan must evoke in full measure the vigour and determination of the many governments and numerous agencies who will be responsible for carrying it out. Administrative dealy must be uprooted and new co-ordination procedures developed to cope with the demands of planned development. In this context, the Government is considering the reorganisation and strengthening of the Economic Secretariat and the appointment of senior representatives from the various Departments concerned with development to work as a team in following the course of the development programme, detecting shortcomings in execution and recommending measures where needed to accelerate progress towards the objectives of the Plan. The risks of attempting a programme on this ambitious scale are real. There is a serious danger

of waste and poor value received for monies spent if projects are initiated without adequate technical preparation or without the administrative resources to supervise their efficient completion. The Government must be continually on the look out for such shortcomings and for the emergence of critical delays and obstacles to be overcome. In particular, it will be necessary to expedite the slow procedures of land alienation and expand technical and administrative capacity for various kinds of surveys and land-use planning. These measures can be described as the basic pre-conditions for carrying out the hard core of the capital expenditure programme of the public sector.

77. The estimated gross private investment required in the various fields of private development visualised in the Plan amount, in total, to around $2,900 million during the five years. This is more than 40 per cent higher than estimated gross private investment during 1956-60. The annual average would be about a third larger than the approximate 1960 level. Most of the increase is likely to take place in the fields of manufacturing, road transport, construction and commerce. The task of planning in this sphere is to provide the necessary incentives and assistance without which private investment may not materialise on a sufficient scale.

78. The relationship between the levels of investment of the Second Five-Year Plan and the expected increase in the volume of output by 1965 is not a particularly favourable one by international standards of comparison. Measured in constant prices, the increase in total national output would be about $1,300 million compared with a total gross investment of over $5,000 million. This is a ratio of investment to output of about 4 : 1 which is about one-third higher than similar ratios in many other countries. The reason for this lies in the length of time required for much of the investment to bear productive results. A large part of the investment in agriculture will not provide an output until after 1965 because of the time required for tree crops to mature, the period necessary to complete and utilise irrigation projects, the lag before the economic benefits of rural road projects are fully realised, etc. Furthermore, the considerable public investment in education, health and other social services does not directly produce a measurable economic output even though the benefit to the community and, in the long run, to the economy is very large.

79. With the investment levels proposed during 1961-1965, however, an accelerated growth in output and a much more favourable relationship between output and investment can be expected after the mid-1960's. Meanwhile, the investment targets of the Second Five-Year Plan appear essential if employment opportunities are to be adequately provided and standards of living of the population improved or maintained.

80. Obviously, it is impossible to predict accurately the levels of national output and expenditure, and the component elements of these magnitudes, by 1965. Some quantitative expression may, however, be given to the targets of the Second Five-Year Plan in terms of the hypothetical pattern of output and expenditure which is visualised for the Federation economy by 1965 if the objectives of the Plan are achieved. This is shown in tabular summary below with comparisons for 1960. It is to be noted that the figures for 1960 are only rough approximations since official estimates for the year are not yet complete.

TABLE IV

PATTERNS OF NATIONAL OUTPUT AND EXPENDITURE

THE APPROXIMATE POSITION IN 1960 AND AS ASSUMED BY 1965 IN ACCORDANCE WITH OBJECTIVES OF THE SECOND FIVE-YEAR PLAN

	1960	*1965*	*Per Cent Change*
	($ in millions)		
National Output at 1960 Prices	5,900	7,200	+ 22
Adjustment for assumed decline in rubber prices	—	460	
National Output at Current Prices ...	*5,900*	*6,740*	+ 14
Current Expenditures	*4,970*	*5,910*	+ 19
Private Consumption	3,890	4,580	+ 18
Current Government Expenditure ...	870	1,140	+ 31
Transfers Abroad	210	190	− 9
Capital Expenditure	*680*	*1,170*	+ 72
Public Investment (including Defence)	250	520	+108
Private Investment and Changes in Stocks	430	650	+ 51
Balance of Payments on Current Account*	+ 250	− 340	

* Adjusted to allow for unrecorded net payments which appear from recorded data to be a consistent factor in the foreign transactions.

CHAPTER III

Second Five-Year Plan of Public Investment

81. Public investment required to reach the objectives of the Second Five-Year Plan has been estimated in terms of the total for the five years as a whole and without distinction between Federal and State financing. Any attempt to decide in advance on the amount of investment to be undertaken and financed by specific public agencies for specific purposes in each of the five years would assume a degree of foresight which would be quite unrealistic. It would also eliminate the large element of flexibility which is necessary in any satisfactory development plan to meet changing circumstances.

82. The actual investment expenditure in any one year, and its allocation among the development activities of the Federal, State and Municipal Governments and public enterprises, must necessarily be left to annual decisions made in the light of circumstances at the time. Furthermore, many aspects of the proposed public investment plan are not yet formulated in sufficient regional and project detail to determine precise financial allocations by purpose, by State and by year. These are all matters to be considered each year in preparing the annual development budget estimates. It is the purpose of the Five-Year Plan to provide the framework and to indicate the general order of priorities which should guide the annual budgetary operation.

83. The Plan also indicates the progressive scale on which annual development expenditures will have to be increased if the public investment targets are to be reached. In order to attain a public investment level in 1961-1965 of $2,150 million which is somewhat more than double that of 1956-1960 it will be necessary to raise the annual capital outlays of the Federal and State Governments and public enterprises from about $250 million in 1960 to over $520 million in 1965. It is apparent from these

figures that the build-up in public development momentum will have to be fairly rapid if the objectives of the Plan are to be achieved.

84. In the remainder of this chapter the scale of proposed capital outlays, the purposes for which the outlays are to be used, and the results expected in each of the fields of public development activity are briefly discussed.

I.—PATTERN OF ALLOCATION

85. The attempt to diversify the Malayan economy and reduce its relative dependence on rubber underlies the system of priorities of the Plan. Within the agricultural sector itself this attempt takes the form of raising steeply the level of investment on irrigation of rice and other crops, oil palm development, rehabilitation of coconut areas, forestry, fisheries and animal husbandry. The proportion of total investment absorbed by these sectors will increase from 6 per cent in the First Plan to 13 per cent during the Second Plan. It is not possible to plan for a larger expansion in these fields than is proposed because the development of new crops and new types of agricultural activity has to be within the limitations of suitable natural conditions and to be based on extensive research of soils, fertiliser requirements, etc. It is also the intention of the Government to pursue a vigorous policy which will promote industrial expansion in the private sector. But the extent to which it is possible to establish new manufacturing activities or introduce new crops is limited by the time required to develop essential human skills and enterprise. Consequently a significant measure of diversification can only be achieved over a long period of time. Meanwhile it is essential to continue to improve and expand rubber production. But while providing for this continuing emphasis on improvement of the rubber industry, the Second Five-Year Plan emphasizes concerted further efforts to widen the base of the national economy.

86. The pattern of investment in the Second Plan also reflects the primary emphasis assigned to developing additional land for the rural community and expanding the cultivable area in the Federation. Compared with a capital outlay of about $30 million on land development and new rural roads during 1956-60, the Second Plan allocates a sum of nearly $270 million for these purposes. This does not mean of course, that further development of existing kampongs will slow down. The planned programme for rural development allows for both the improvement of existing kampongs and the simultaneous execution of a bold new campaign to develop new land.

87. Compared with 1956-1960 no notable change is proposed in the proportion of total public investment allocated to transport and communications. Together, they accounted for 27 per cent of actual capital expenditure during the last five years and the Second Plan allocates 21 per cent of total

public investment to these sectors. Similarly, the share of utilities does not show any important difference and continues to absorb about one-fifth of total public outlay.

88. A significant feature of the Second Five-Year Plan is the priority attached to developing the social services, particularly health and education. The actual capital outlay in this sector during the First Plan was only 14 per cent of total investment. It is proposed to raise this proportion to 24.5 per cent of the increased investment level in order to accelerate progress in these fields. The ultimate objective of establishing a comprehensive and satisfactory system of schools, medical facilities and housing credit can only be achieved in stages, stretched over a considerable period of time. A larger allocation of investment to the social services during the Second Five-Year Plan would have run into two kinds of difficulties. First, it would have made it impossible to protect *per capita* standards of consumption of food, clothing and other general amenities—which is one of the chief objectives of the Plan. Secondly, recurrent expenditures on social services, associated with a higher investment than envisaged in the Plan, would have created a serious deficit in the ordinary budget.

II.—PROGRAMMES OF CAPITAL EXPENDITURE

89. The following paragraphs and Table V highlight the salient features of the public programmes of investment which form the substance of the Second Five-Year Plan. No attempt is made to provide comprehensive and technical descriptions of specific projects. Indeed, project examination is a continuous process and decisions regarding details have to be adjusted to changing conditions.

(I) AGRICULTURE AND LAND DEVELOPMENT

90. The Second Five-Year Plan includes about $545 million for a many-sided campaign to raise the level of agricultural output and income to provide land and employment for the farming population and to diversify the pattern of agricultural production. The main lines of agricultural development include a large programme to open new land for settlement and cultivation of rubber, oil palm and a variety of other crops; continuation of rubber replanting and a new programme to rehabilitate and replant coconut areas; drainage and irrigation projects to extend the area of double-cropping and otherwise improve and expand the cultivation of padi and other crops; research and extension services to improve the efficiency of existing cultivation and to develop new crop possibilities; assistance in increasing the output of livestock and fishery products; protection and regeneration of forest resources; and financial and other assistance to farmers

and fishermen through co-operative services and the provision of co-operative credit.

TABLE V

ALLOCATION OF PUBLIC INVESTMENT DURING THE FIRST AND SECOND FIVE-YEAR PLANS

Sector	*Approximate Actual 1956-1960* (million $)	*Plan Target 1961-65* (million $)
Agriculture	*227.5*	*545.3*
Rubber Replanting	153.4	165.0
Drainage and Irrigation	38.3	100.0
Land Development	16.7	191.0
Co-operative Credit	n.a.	20.0
Coconut Rehabilitation and Replanting	—	15.0
Research and Extension Work	2.4	20.0
Animal Husbandry	1.7	10.0
Forestry	2.2	5.0
Fisheries	2.4	7.2
Survey	3.6	6.9
Other	6.8	5.2
Transport	*206.5*	*362.0*
Roads and Bridges	95.2	190.0
Railways	71.4	65.0
Ports	37.0	55.0
Civil Aviation	2.9	52.0
P.W.D. Plant and Equipment	*23.6*	*68.7*
Communications	*51.6*	*72.9*
Telecommunications	47.4	50.0
Broadcasting	2.7	5.0
Posts	1.5	17.9
Utilities	*238.6*	*402.0*
Electricity	142.0	254.0
Water	80.6	140.0
Sewerage	16.0	8.0
Industry	*12.1*	*27.0*
Site Development, etc.	11.1	7.5
Other	1.0	9.5
Rural Industry	n.a.	10.0
General	*73.0*	*121.1*
Municipal Development	14.2	16.7
Government Buildings	48.8	38.8
Miscellaneous (includes Police)	10.0	65.6

n.a.=not available.

Sector	Approximate Actual 1956-1960 (million $)	Plan Target 1961-65 (million $)
Social Services	*138.8*	*491.0*
Education	60.9	260.0
Health	12.7	145.0
Social Welfare	n.a.	6.0
Housing	65.2	80.0
Total Public Investment	*971.7*	*2,090.0*
Defence	35.0	60.0
GRAND TOTAL	*1,007.0*	*2,150.0*

(a) Development of New Land

91. The largest agricultural investment by the Government during 1961-65 will be more than $190 million for the opening and settlement of new agricultural land. Most of this is for the programme of the Federal Land Development Authority, involving $175 million for the cost of clearing, settling and cultivating F.L.D.A. project areas totalling up to 250,000 acres. An additional amount of about $30 million is provided in other departmental programmes for access roads, water supplies and other amenities required for the F.L.D.A. projects. Additional land is to be opened under the Group Settlement Areas Act of 1960. A total of $49 million has been earmarked for this purpose of which $16 million is expected to be required during 1961-65.

92. The five-year objective of the F.L.D.A. is to carry out, in conjunction with State Governments, a yearly programme of 12 land settlement schemes each of which would provide about 400 families with per family holdings of 7 acres of rubber or oil palm land and 3 acres for padi, vegetables, fruits and other crops.

93. The target area for F.L.D.A. development during 1961-1965 is expected to accommodate about 24,000 families. Most of the projects will be planted with rubber as the main crop. But where soil conditions are suitable emphasis will be on oil palm cultivation. The F.L.D.A. has started one oil palm project in Johore in co-operation with Malaya Developments Limited and two other similar projects are now in the planning stage. Additional large areas in the East Coast States are expected to be found suitable for oil palm cultivation.

94. The costs of the F.L.D.A. projects, including subsistence allowance during the first two years of settlement, are to be recovered in small annual instalments after the main cash crops mature.

n.a.=not available.

95. Availability of qualified project managers in sufficient numbers is foreseen as a problem in the execution of the F.L.D.A. programme. Management training courses are now underway and other measures are being considered to deal effectively with the organisational set-up.

96. In addition to the F.L.D.A. programme, another 75,000-80,000 acres of new land are to be opened for the landless under the Group Settlement Areas Act. This scheme involves a simplified procedure for the survey and alienation of large blocks of land to be divided among individual settlers in units of about 8 acres. Most of this is expected to go into rubber with about two acres per family reserved for food crops. The programme is to be carried out through the co-operation of State Governments. Assistance to the settlers includes initial waiver of premium, survey fees and rents and aid in timber felling and provision of fertilisers and planting materials. This assistance is to be eventually recovered in yearly instalments after the crops reach a productive age.

97. The land development programme and other rural development activity will be facilitated by an expansion in staff and facilities of the Survey Department, involving a capital expenditure of almost $6 million. In addition to detailed survey work in connection with land development and other land matters, one of the major objectives of the Survey Department in 1961-1965 will be the completion of the standard topographical mapping of the entire Federation.

(b) Rubber Replanting

98. In the Second Plan great importance is attached to a continuation of the rates of rubber replanting which have been achieved in recent years by both smallholders and estates. Projections in the Plan are based on an expectation of about 650,000 acres of replanting during 1961-1965. This would bring the proportion of the rubber area planted with high-yielding material to about 65 per cent compared with 46 per cent in 1960. The expected amount of replanting is about the same as in the last five years, but it seems probable that the proportion done by smallholders will be somewhat larger and that by estates somewhat smaller, than in 1956-60 because of the high proportion of estate area that is already in high yielding rubber.

99. The present replanting programme, involving government subsidies for part of the cost of replanting, is scheduled for completion in 1962. Present and further commitments for government grants under the present programme are estimated at about $120 million and provision has been made in the 1961-1965 Plan for this amount. An allocation has also been made in the Plan for an additional $45 million for continued subsidies for

replanting beyond 1962. Total provision for the replanting programme during 1961-65 will therefore be $165 million.

100. As a result of replanting, as well as new planting, which has taken place in the past it is estimated that the total rubber production of the Federation will increase by more than 10 per cent between 1961 and 1965, as noted elsewhere. A far larger increase by a third or more is expected in the subsequent five years 1966-1970 as the large areas of high yielding rubber planted in recent years and to be planted in the near future reach maturity.

(c) Drainage and Irrigation

101. Priority in the 1961-1965 programme of the Federal and State Drainage and Irrigation Departments will continue to be given to expanding the national output of rice and other essential foodstuffs. The largest benefits from the irrigation programme are expected from further extension of the padi areas suitable for double cropping, improvement of average crop yields through works to assure adequate water supplies, and additions to the total area suitable for padi cultivation. Additions to the area will also mean provision of land for new settlement of which the largest single block is expected on the Trans-Perak Project, Stage IV, amounting to about 40,000 acres.

102. The areas to be benefited from new irrigation works or improvement of existing works during 1961-1965 amount to about 300,000 acres. The potential value to the economy may be estimated to reach $40 million or more per year in terms of additional production of rice and other crops.

103. Completion of some of the projects to be started in the five-year period will extend beyond 1965. The most important of these projects is for the development of the extensive Muda River catchment with an expected irrigation potential for about 200,000 acres in the North Kedah plain. Preparatory investigations of this project are to be undertaken in 1961 and substantial progress toward completion is expected during 1961-1965 if the expectations of very large agricultural benefit are substantiated by detailed technical and financial studies.

104. In addition to the irrigation and flood protection programmes, the Drainage and Irrigation Department will also carry out a large land drainage programme for rehabilitation of extensive small-holder areas in the alluvial belt throughout the Federation. These are areas suffering from deterioration of land due to floods, poor drainage and salt water intrusion. Improvement work has already been carried out over a substantial area and further work during 1961-1965 is planned to benefit an additional 180,000 acres.

105. Capital requirements for the programme of the Drainage and Irrigation Department amount to an estimated $100 million including the cost of plant and equipment. This is about two and a half times the expenditure on such works during 1956-60. About $75 million of the programme is to be carried out by the Department and the balance is to be given out to contract.

(d) Coconut Rehabilitation and Replanting

106. Drainage programmes to check the deterioration of coastal lands are establishing the basis for rehabilitation of coconut planting, much of which is located in derelict coastal areas. The steady decline in coconut productivity is a serious and long-standing problem, especially among smallholders. In addition to land deterioration, the difficulties of the coconut smallholders arise from a high proportion of over-age and damaged trees with consequent poor yields, and from inability to afford the costs of replanting and diminished income while waiting for new trees to mature.

107. A programme is therefore needed, in addition to land rehabilitation to assist the coconut growers to replant their lands with improved varieties and to provide guidance toward better methods of cultivation. Such a programme is now under preparation. The details and cost estimates remain to be worked out, but provision has been made in the Plan for $15 million as an approximation of financing required for a manageable coconut rehabilitation and replanting programme during the five-year period.

(e) Agricultural Research and Extension Services

108. The planned programme of the Federal and State Departments of Agriculture involves capital outlays of $20 million and additional recurrent expenditure for:

(a) The development and expansion of Federal Padi and Dry Land Stations where investigation and research into double-cropping, off-season cropping and adaptation of various crops will be intensified;
(b) Expansion of soil survey capacity and further research into soil types and their potentials for various cropping patterns and into soil management practices to achieve increased productivity;
(c) Promotion of the use of improved padi seed;
(d) Extension activities to foster better cultivation practices and more productive cropping patterns;
(e) Control of pests, insects and plant disease.

109. Among the important immediate benefits of the programme during 1961-1965 is an expected substantial increase in padi yields through the

multiplication and distribution of improved seeds. Farms are being established to supply sufficient improved seed for the planting of more than 60 per cent of the total area under padi cultivation by 1965. The resulting benefit in the form of increased yields per acre is conservatively estimated at about 15 per cent.

110. A further important contribution will be made in facilitating the land development programmes through the expansion of soil survey capacity and facilities for soil analysis and guidance in soil management.

(*f*) *Animal Husbandry*

111. The capital programme of the Federal and State Veterinary Departments amounts to $10 million over the next five years for: (*a*) Expansion of research and training services; (*b*) Increase in the production and improvement in the quality of livestock; and (*c*) development of grazing reserves.

112. The research facilities and capacity for vaccine production at the Veterinary Research Institute at Ipoh are to be expanded. A new Animal Production Institute is also to be established for research into pastures and the physiology and production of fast maturing livestock. The results of these research activities will be passed on to farmers through extension services and organised courses at animal husbandry training centres and stations to be established in various parts of the country.

113. Measures to improve the quality and increase the numbers of livestock will be intensified through importation and selective breeding of various types of stock and poultry. Selected stock from animal husbandry stations will then be made available to farmers and cattle owners for controlled multiplication of improved herds and flocks. Expected results from this programme include an increase in the annual output of fresh mutton by 50,000 lbs. or by 17 per cent; of pork by 30 million lbs. or by 50 per cent; of beef by about a million pounds or 3 per cent; and of poultry by about 6 million more birds than at present. The increase in the value of livestock and poultry production should be $30 to $40 million during the Plan period.

114. Grazing reserves planted with suitable grasses will be developed from existing waste-land to assist in the implementation of the various livestock breeding schemes. About 2,000 acres will be cleared and fenced annually and by 1965 some 10,000-12,000 acres will be developed, of which about 25 per cent will be cultivated with fodder grasses. About 11 dairy colony centres will also be established about 5-20 miles away from urban centres to improve and increase the supplies of fresh milk.

(g) Rural Co-operatives

115. The major financial provision in the Plan for rural co-operative activity is an advance of $20 million to expand co-operative agricultural credit. Of this, a net amount of $5 million is to be used in addition to existing co-operative resources for short term loans for the seasonal requirements of individual farmers and for group purchases of seasonal supplies such as fertiliser. Substantial progress is expected in freeing co-operative members from dependence for financing on the "padi kuncha system"* and on private money lenders. The remaining $15 million is to be used to finance projects to increase productivity through land improvements, purchase of equipment, etc., as well as to finance the processing and marketing activities of co-operative societies.

116. In addition to co-operative credit, the Plan includes another $5 million for lands, buildings and quarters and various Red Book proposals to extend and strengthen the co-operative movement.

117. The field of rural credit is the subject of a special study which will delineate the fields of activity of the Co-operatives, R.I.D.A. and others in order to avoid duplication of functions and to achieve greater effectiveness.

(h) Fisheries

118. Over $7 million is to be invested in fisheries development during 1961-65 to carry out programmes of financial assistance for fishermen and expansion of marine and inland fish production.

119. Financial assistance to the fishing industry will be in the form of credits through co-operative societies for the purchase of fishing gear and facilities for better marketing and processing of fish. The Plan envisages the extension of fishing co-operatives throughout the East Coast and among a large proportion of the fishermen on the West Coast. The emphasis of the co-operatives will be on technical guidance and training as well as financial assistance.

120. The projects for the development of marine fisheries consist of (i) provision of jetties, fishing gear and ice stores to meet the needs of the motor-driven boats which are replacing sailing craft; (ii) development of deep sea/oceanic fishing and (iii) training, research and experimentation. The provision of basic facilities to the industry is expected to accelerate the mechanisation of fishing boats and enable fishermen to operate in more distant waters. The resulting increase in marine fish production is estimated at about 10 per cent by 1965.

* The system of seasonal financing of farmers by padi dealers in which terms are commonly expressed as the amount of credit advanced for each kuncha (about 850 lbs.) of padi to be turned over to the creditor at harvest time.

121. Inland fresh-water fishing is also important in the programme of the Fisheries Department. It is proposed to develop inland fishing by means of extension services, establishment of fry breeding and distribution stations and the development and conservation of fish in inland waters. The Department will also accelerate its programme for the introduction of fish into abandoned mining pools as well as encourage fish production in the padi fields and dams through the fry distribution centres. In addition an aquarium for fresh-water marine research is to be established. Production of fresh-water fish is expected to increase from about 20,000 tons a year at present to about 27,000 in 1965.

(*i*) *Forestry*

122. The Forestry Department development programme for 1961-1965 consists of silviculture, expansion of research facilities, and reclamation of degraded soil at a capital cost of about $5 million.

123. The main project of the development programme is silviculture with a capital outlay of $4.6 million. The aim of silviculture activity is to convert forests of naturally poor timber species into high-yielding timber areas through removal of merchantable timber, poisoning of unwanted trees and subsequent weedings and thinnings. By such treatment the yield of the new crop at maturity will be three to five times that from existing forests. The area to be so treated each year will be 50,000 to 70,000 acres.

124. The expanded research facilities and activity of the Department will be directed to increasing the yields of timber per acre in the forest reserve, to improving the utilization of timber, and to experimentation on methods for reclaiming and cultivating soils which have been degraded through mining.

(II) TRANSPORT AND COMMUNICATIONS

(*a*) *Roads*

125. The Plan proposes to raise the level of investment in road transport by about 100 per cent. A total capital expenditure of $190 million will be undertaken compared with an actual outlay of $95 million during 1956-1960. Roads are the main form of transportation in the Federation and their traffic bearing capacity must be expanded in line with the overall expansion and aggregate investment in the economy. Indeed, in some spheres roads must spearhead other developmental activity.

126. In the context of rural development particularly, it is essential to build roads in anticipation of traffic rather than in response to it. Roads must be built simultaneously with the felling of jungle to open up new land, although considerable time will elapse before tree crops mature and can be transported to the market. Traffic can be expected to grow more quickly

in the case of roads designed to service rice irrigation schemes. Additional rice output resulting from double cropping may require either substantial improvement of existing roads in the area or building of new roads.

127. Altogether, the Plan provides for a capital outlay of $90 million on the construction of rural roads. Care must be taken to adapt the technical standards of rural roads to the needs of the situation. Where light traffic is expected for several years a water-bound macadam pavement of 14 feet width may prove suitable as an all-weather motorable road. The cost per mile of such a work varies between $60,000-$100,000. In physical terms, the investment target implies about 1,000 miles of new rural roads after allowing for expenditures on improvements of existing roads. It is expected that the network of State and rural roads will be increased by about 25 per cent during the period of the Plan.

128. The rural sector of the economy will also derive significant benefits from the programme aiming at improving the standards of the existing network of Federal roads. The present technical condition of the major routes requires that severe restrictions be imposed on loads carried by vehicles transporting agricultural and mineral produce. The object of this aspect of the road programme is to relax these restrictions in stages and thus gradually approximate standards obtaining in the more developed countries. Ultimately, it should be possible to raise the load-bearing capacity of the road system by about 70 per cent and provide for faster as well as safer road transportation. The chief beneficiaries will be the timber traffic from the felling site to the sawmill and the movement of rubber, iron-ore and petroleum.

129. It is proposed to spend about $20 million in improving the main West Coast road (Route I). In addition to other works a bridge will be built on the Prai river to serve Butterworth and the new deepwater berths at Bagan Luar. Another large project on this route is the Slim River Deviation which will improve motoring conditions along a particularly bad stretch of the road and thus eliminate a traffic hazard of long standing. About $22 million will be spent on the major road connecting the West Coast with the East Coast (Route II). One of the large schemes is to provide a speedy link between Route I and II through Kuala Lumpur. When completed, this connection will relieve congestion in the capital as well as benefit the long distance traffic. Improvements on the main East Coast road (Route III) will involve a substantial capital outlay on a series of bridges which will replace ferries. Not only do these ferries occasionally close down during the monsoon and suspend road communications, they also imply some delay before vehicles can go across the water. About $28 million will be spent on other Federal routes. In particular, the existing gravel road

connecting Singapore with the East Coast will be given a bituminous metalled surface. Also bridges will replace ferries on the inland road from Singapore to Kuala Lumpur.

130. In addition to giving high priority to the improvement of the existing network of Federal roads, the Second Five-Year Plan also places great emphasis on organizing a comprehensive survey of the future road requirements of the Federation. Since a considerable amount of potentially cultivable land is known to lie near the present roads, it is not likely that any new arterial routes will need to be constructed in the near future. However, looking ahead a decade, it is clear that the overall road system will need to be expanded considerably as the programme of land development moves ahead. Therefore, it is necessary to make a start on an overall survey of land-use potential and the costs of road construction.

131. The above capital outlays on road construction do not include the cost of plant and equipment. The Public Works Department will need to spend $69 million on these items in order to replenish its stock and add to it. This need is geared to the overall programme of construction embracing water and sewerage works, government buildings as well as roads and bridges. Undertaking these works with less machinery and more labour may generate more jobs in the short-run. However, this advantage is more than offset by two factors which are of particular importance under Malayan conditions. The first is that labour-intensive works require much greater engineering and administrative supervision—the very skills which are in short supply. Secondly, labour-intensive works require much greater time and this delay tends to postpone the large expansion of employment and economic activity which is the indirect result of new roads. For these reasons, the Plan provides for a supply of plant and equipment sufficient to cope with the large construction requirements.

(*b*) *Railways*

132. The main feature of the railway programme of capital expenditure is the second stage of dieselisation. The target is to increase the proportion of engine-miles performed by diesel locomotives from 55 per cent in 1960 to 75 per cent in 1965. This implies a capital expenditure of $20 million on purchasing diesel locomotives and railcars and some additional expenditure on track improvement. Experience already gained confirms the general impression that dieselisation yields considerable benefits to the Federation economy, as long as the new locomotives are worked to full capacity. The net savings in operating costs per mile has been estimated to be about $1.50, mostly on account of lower fuel consumption and maintenance charges. These savings are more than sufficient to offset higher

interest and depreciation charges arising out of the fact that the capital cost of a diesel locomotive is appreciably greater than that of a steam engine.

133. No expansion of route mileage is planned by the Malayan Railway during the next five years. However, the Eastern Mining and Metals Company is constructing a 50-mile private railroad to carry the output of the Rompin iron-ore mine to the East Coast. Construction is also proceeding on an important link—the Prai-Butterworth extension—on which the Malayan Railway will spend $7 million during the Plan. The object of this project is two-fold. First it will provide a direct rail access to the recently constructed ferry connecting Butterworth to the island of Penang. Secondly, the construction of this link increases the attractiveness of the site for new deepwater berth facilities at Bagan Luar. The rest of the railway investment will be devoted to purchasing coaches and wagons to replace those being retired, commercial development to attract new traffic and improved signalling equipment. The total programme is estimated to be $65 million out of which $25 million will be financed by loans and the remainder out of renewal funds and revenues.

(*c*) *Ports*

134. So far about $5 million has been spent on the North Klang Straits project out of the total estimated cost of $43 million. The way is now clear for moving ahead at a rapid pace and the new deepwater berths should be ready by the end of 1963. By that year Port Swettenham should be able to handle an annual cargo of 2.2 million deadweight tons without congestion or delay. In its present form, the port was originally designed to handle an annual traffic of half a million tons, although the actual traffic in 1960 was 1.4 million tons.

135. It is also proposed to construct six deepwater berths with a traffic handling capacity of 1.0 million tons on the mainland at Butterworth. The whole scheme will cost approximately $30 million. The site has been selected at Bagan Luar after technical investigations indicated that no serious tidal, navigational or dredging problems are likely to arise. The first phase of the scheme consists of filling the entire area at Bagan Luar and constructing three berths. Work is scheduled to start in 1963 and finish by 1966. Capital expenditure during the Plan period will amount to $16 million. At present, there are no deepwater wharfing facilities available on the mainland and traffic originating from or destined to the mainland moves in lighters to Prai and Permatang Pauh or is transported by lorries from the island on the ferry. It is estimated that 80 per cent of the overall traffic of Penang Port (excluding bulk oil and iron-ore), in 1960 moved in this manner compared with 40 per cent in 1955. The completion

of deepwater berths on the mainland will yield significant economies in the cost and efficiency of handling goods. Costs of handling rubber shipments should decline by about 20 per cent. In addition, the new port facilities will be able to cope with ships which desire to handle cargo in contained loads requiring substantial cranage capacity. The total capacity of the Penang Port will increase from about 3.0 million tons in 1960 to 3.5 million in 1966 and 4.0 million in the year in which three additional berths are completed.

(*d*) *Civil Aviation*

136. The major project envisaged in this field is the construction of an international airport at Kuala Lumpur—an airport equipped to handle the most modern and the largest civil aircraft operating in this area. Provided with this facility and with the conclusion of air transport agreements with other countries, the Federation will be able to attract international tourists in much greater number than at present. Thus, it is considered that the airport will yield important indirect benefits to the economy in the form of tourist earnings and the establishment of ancillary business. In addition to the new airport it is proposed to reconstruct the runways at Malacca, Penang and Kota Bharu airports in preparation for the introduction by Malayan Airways of more modern aircraft.

(*e*) *Telecommunications*

137. The Second Five-Year Plan allocates $50 million for the expansion and improvement of the system of telecommunications in the Federation. This volume of investment should be sufficient to cope with the rising demand for telephone and telegraph services as well as to secure considerable improvements in their quality and efficiency. Expressed in terms of physical targets, the Plan is designed to achieve the following objectives:

(i) increasing the number of subscribers' stations from 74,000 to 100,000 or by 30 per cent;
(ii) expanding rural telephone exchange capacity by 25 per cent;
(iii) increasing the trunk and junction networks by at least 20 per cent;
(iv) developing automatic trunk dialling facilities for 70 per cent of the subscribers;
(v) completing the micro-wave link all along the West Coast, providing high quality trunk telephone services.

It is proposed to extend the automatic exchanges at Kuala Lumpur, Ipoh and Penang. Existing exchanges at Butterworth and Seremban will be made automatic and enlarged. A new automatic exchange will be installed in Petaling Jaya. Many new automatic exchanges and telephone call offices

will be opened in rural areas in an attempt to integrate them into the overall communication system of the Federation. It is expected that by the end of the Second Plan period only isolated communities will remain without telephone facilities.

138. External telecommunication facilities of the Federation are at present under the control of the Singapore Government. During the Second Plan, it is proposed to make a start in establishing independent radio facilities as well as to link the Federation with Sumatra and Thailand. When the "round the world" telephone cable reaches Malaya, probably during the Third Plan period, this country will be linked with all Commonwealth members.

(f) Postal Services

139. The total capital programme amounts to $18 million, out of which $11 million will be spent on a building for the General Post Office in Kuala Lumpur. This building will also house the headquarter offices of the postal administration. The inadequacy of the existing building may adversely affect the speed and efficiency of the postal services throughout the Federation. It is also proposed to replace the buildings of 15 other post offices which are in dilapidated condition.

140. About 60 new post offices will be established during the Plan period, designed to improve communication and other postal banking facilities in rural areas. When completed this programme will expedite the collection and distribution of mail and increase the accessibility of post office savings deposit and money order facilities. About 48 of these new post offices will be actually located in rural areas. The rest will be needed in urban centres to strengthen the closely integrated overall postal network. In all, the number of post offices in the Federation will increase from 212 to 273, or by about 30 per cent during the Plan period.

141. In addition, the number of mobile post offices operating in rural areas will increase from 23 to 38. These units make scheduled visits to provide the full range of postal services. In remote kampongs where the volume of business is small, a few basic facilities are provided by postal agencies entrusted to local station-masters, resident postmen or private persons. The number of such agencies will increase by more than 50 per cent during the next five years.

(g) Broadcasting

142. The object of spending $5 million on broadcasting is twofold. First, medium-wave transmitters will be installed in Kota Bharu, Kuantan and Kuala Trengganu on the East Coast and Ipoh and Johore Bahru on the

West Coast. This will provide a clear and consistent radio signal to rural areas surrounding these cities and thus increase the effective coverage of broadcasting in the Federation. The radio audience should increase considerably with the completion of this programme. Secondly, the Plan provides for new studio facilities, particularly on the East Coast, to tap local talent and thus enrich the cultural content of the broadcasting services. Thirdly, the Plan provides for the nucleus of an External Broadcasting Service which will enable the Voice of Malaya to be heard overseas.

(III) UTILITIES, MINING AND INDUSTRY

(a) Electric Power

143. Past trends and studies of prospective power needs in the Federation indicate that the peak demands of power users, other than the tin industry, will about double between 1960 and 1967. Total annual power including that of the tin industry is expected to rise by almost 46 per cent between 1960 and 1967.

144. The bulk of the additional power requirements is to be met under the expansion programme of the Central Electricity Board. The largest installation of the C.E.B. is the Cameron Highlands hydro-electric project, now in construction and scheduled for completion in 1963. This will add 106 MW of additional generating capacity. Total expenditures on Cameron Highlands and related projects during 1961-1965 are estimated at $132 million.

145. Other additional generating capacity to be constructed by the C.E.B. during 1961-1965 include completion of a Thermal power station of 30 MW at Johore Bahru and of a piston engine power unit of 6 MW at Butterworth, installation of a new Thermal plant at Butterworth of 30 MW (to be ready for operation in 1966), and additions of smaller diesel generating units in various consumption centres as required. Estimated costs of these generation projects, to be spent during 1961-1965, amount to $25 million at Johore, about $25 million for the piston and Thermal units at Butterworth and about $4 million for the diesel installations.

146. In addition to the Cameron Highlands Project and related installations and the addition to thermal and diesel generating capacity, the C.E.B. programme also provides for about $9 million of expenditure during 1961-1965 on transmission lines and for $53 million for improvement and extension of power distribution systems within the C.E.B. network. Part of the latter will be spent on the extension of electricity into the rural areas.

147. The above and miscellaneous expenditures come to a total 1961-1965 programme of investment by the C.E.B. of about $250 million. A small but important part of the C.E.B. development activity in this period will be the

investigations preliminary to starting the second stage of the Cameron Highlands Project (the Batang Padang Hydro Scheme), probably in 1966 for completion in 1969 or 1970. This scheme is expected to add up to 100 MW to the generating capacity which will be available for the Federation in the 1970's.

148. Outside the C.E.B. network, the power programme includes expansion of power capacity by the George Town City Council to meet electricity requirements on Penang Island. Provision of $4 million is made for this in the Plan. There may also be some further addition to the power capacity of the Federation from private sources. With all this development, however, the Federation's power supply situation is hardly likely to be an easy one in the 1960's. The power requirement of the tin industry (which now represents over half of total power consumed) may rise only slightly.

149. But consumption for domestic, commercial, industrial and other purposes has almost doubled in the last five years and there seems little reason to expect that the rate of increase will be substantially less in the next several years. Hence the proposed power programme is no more than the minimum required to keep pace with the development of the economy and with the increasing domestic use of electricity.

(*b*) *Water Supplies*

150. It is proposed to increase investment in water works from $80 million during the last five years to $140 million during the Second Plan. The latest available data indicates that the existing supply of filtered or otherwise treated water of about 100 million gallons per day only serves about 40 per cent of the total population, mostly in urban areas. The Second Five-Year Plan assigns a high priority to the improvement of rural water supplies and allocates $100 million for this purpose. This should make possible an additional supply of about 50 million gallons per day to serve 2.5 million people or more than 50 per cent of the rural population. The provision of a safe source of drinking water is a necessary support and supplement to the extension of medical services to the rural areas. The remaining $40 million will finance water works undertaken by the municipalities of Kuala Lumpur, Petaling Jaya, George Town, Malacca and by local Governments in other urban areas. Urban water supplies can be expected to increase by 50 million gallons per day to cater to the needs of the growing urban population and the requirements of commerce and industry.

(*c*) *Sewerage*

151. Urgent improvements and extensions are needed for the sewerage systems of Kuala Lumpur and George Town. The major road development

programmes and the accompanying growth of business, shopping and residential areas together with the independent and rapid growth of housing schemes make it most important that proper sewerage systems should be installed. In the case of George Town the development proposed will also enable transformation to be effected from the night soil collection service in many areas of the city. To these ends, a sewerage programme amounting to about $8 million will be carried out.

(d) Mining and Geological Survey

152. The development activity of the Mines Department will concentrate primarily on research into methods of mining, mineral dressing and recovery of minerals from previously worked land. Prospecting and evaluation of potential mineral areas is also to be undertaken on a more extensive scale and to include Malay Reservations with the object of encouraging Malay participation in the mining industry.

153. Basic to the programme of mineral surveys and research is an acceleration of geological surveys, including investigation of mineral possibilities in lands which may be opened for agricultural settlement and surveys required for preparation of mineral potentiality maps.

154. The programmes of the Mines and Geological Survey Departments will require additional investment during 1961-1965 of about $1.5 million. The work is considered essential if the Federation is to maintain its output of tin and other minerals despite the declining average mineral content of remaining ore deposits.

(e) Industrial Promotion

155. Measures to foster the expansion of private industry have been discussed in Chapter II. They would involve outlays by the Government of $7.5 million for further development of industrial estates, about $1.8 million for the establishment of an Institute of Industrial Technology and an Industrial Productivity Centre to provide technical and other advisory services and assistance to industry, and $2.5 million for further financing of the industrial credit activities of Malayan Industrial Development Finance, Ltd. In addition $5 million has been included for financing the rehabilitation of the pineapple canning industry. And further assistance would be provided for small-scale industrial activity through the programme of R.I.D.A.

156. Provision is made in the Plan for $10 million for continuation and expansion of the development activities of the Rural and Industrial Development Authority. The programme of R.I.D.A. is concentrated primarily on encouragement of small-scale industrial enterprise in the rural areas. Promotion of such enterprise will continue to be fostered through

assistance to private ventures by means of advisory services, extension of credit and provision of processing and marketing services. An important activity of R.I.D.A. will be to guide rural enterprises into lines of production linked to the requirements of larger scale industries. The R.I.D.A. programme may also include the initial establishment and operation of small enterprises which can subsequently be transferred to private ownership once they are operating satisfactorily. Emphasis is to be placed on the recruitment and training of a staff qualified to provide these services. A committee is now considering the scope for future R.I.D.A. activities and the means by which it can be most effective in stimulating rural enterprise.

(IV) THE SOCIAL SERVICES

(*a*) *Education*

157. The main elements of the education programme for 1961-1965 include:

(1) Expansion of the facilities and staff of the Primary Schools to keep pace with the increase in the number of children of Primary School age. Under the programme, the Federation will continue, as at present, to offer the opportunity of primary education to every child in Malaya in the appropriate age brackets. Present overcrowding and other deficiencies of classrooms is expected to be eased, but financial limitations will necessitate the continuance of the system of double sessions whereby two Primary Schools use the same premises.

(2) As from 1962, a new type of School, Sekolah[2] Pelajaran Lanjutan or Continuation Schools will be established. Owing to financial limitations, these schools, to begin with, will offer a two-year Post-Primary course, with a vocational bias, to pupils who do not gain entry to other Secondary Schools.

(3) Secondary education along present lines is to be developed so that about 30 per cent of pupils who have completed their primary education will receive secondary schooling either through Forms I, II and III of Secondary Schools of the existing type, or in Sekolah[2] Lanjutan Kampong. About two-thirds of these pupils will continue into Forms IV and V. Selection for Secondary School entrance and also for continuation beyond Form III will be by competitive examination.

(4) Expenditure of about $20 million on technical education to assist in meeting the needs of the developing economy for larger numbers of skills and advanced technical specialists. The technical education programme includes four main elements:

(*a*) A large increase in the Sekolah[2] Lanjutan Kampong to increase

the facilities for continuation of the education of kampong pupils with emphasis on rural skills. A number of the additional Sekolah² Lanjutan Kampong would be for girls.

(*b*) A re-organisation of Junior Technical Schools at Ipoh and Johore Bahru (to be re-named Secondary Trade Schools) and the addition of a third Secondary Trade School to serve the East Coast. These schools are to recruit entrants from boys who have completed nine years of schooling, including those from the Sekolah² Lanjutan Kampong, for further education in vocational crafts and industrial skills.

(*c*) Secondary Technical Schools to prepare students for the Diploma Courses at the Technical College and courses leading to full professional engineering qualifications at the Technical College or the University of Malaya. Selection for entry is based on results of the Lower Certificate of Education Examination and from students with some background in Mathematics and Science. Four new Secondary Technical Schools are proposed in Kuala Lumpur, Ipoh and Penang and at one other centre on the East Coast or in Johore.

(*d*) Expansion of the capacity and facilities of the Technical College at Kuala Lumpur in order to increase the enrolment for advanced technical and engineering education.

(5) Further development of the University of Malaya. The largest element in the University programme is the addition of a Faculty of Medicine with the view to reaching an annual outturn of 100 doctors a year. The range of science instruction is also to be expanded with increased facilities for teaching to Honours degree level and for research. Other University improvements include extension of the library, a new administration building and great hall, two new residential colleges, additional staff houses, a small theatre and other minor buildings and works.

(6) An accelerated programme of teacher training to provide staff for the planned expansion of education facilities. The programme includes completion of the Teachers Training College at Kuala Lumpur; another Secondary Teacher Training College at a location to be chosen; a Training College for Technical Teachers at Kuala Lumpur, a substantial expansion of primary teacher training facilities including enlargement of the seven existing Day Training Centres, the addition of four more, and a start on a new Primary Residential Training College; and additions to the Malay Women's Training College at Malacca.

158. These are the main elements of the 1961-1965 education plan. Other parts of the plan include completion of works now in progress such as two secondary schools for boys from National Schools and a new secondary school at Johore Bahru and a college at Seremban for girls from National Schools. The plan also includes new programmes to improve the Ra'ayat Schools, to provide more hostels which will accommodate pupils from isolated rural areas, to provide quarters in some of the rural areas in order to improve standards, and expansion of the Sekolah Dato' Abdul Razak.

159. The Plan will represent a major advance towards the goals of government education policy. Other financial requirements of the Development Plan as a whole have, however, limited the possibilities for providing funds to meet all the education policy objectives within the 1961-1965 period. The investment plan for education during 1961-1965 will require $260 million.

(b) Medical and Public Health Services

160. Aims of the Plan for better medical and health services to the population include a major expansion of the health services into the rural areas, the modernisation and expansion of hospital facilities, more intensified campaign against tuberculosis, improvement of dental, psychiatric and leprosy services, and the establishment of a medical store cum pharmaceutical laboratory for the processing of drugs. Basic to all these objectives is an expansion in training programmes for medical and health staff including nurses, hospital assistants, laboratory and X-ray technicians, assistant nurses and midwives.

161. Eventually, it is the goal of the Ministry of Health and Social Welfare to establish a network of health units serving the entire rural population. A long step forward towards this goal will be taken during 1961-1965 with the establishment of 37 main rural health centres, 148 sub-centres and 652 midwives clinics. These facilities will provide additional medical and health services to more than 2 million of the rural population. These centres provide both preventive and curative services with special emphasis on maternity and child health care, environmental sanitation and hygiene, and health education with a view to improving the standard of health of the rural population and reducing further therefore the mortality rate, particularly that of the infant mortality, among the rural people. The cost of building these centres is estimated at $40 million.

162. The medical and health plan involves improvement and expansion of existing hospitals at a cost of $24 million and the replacement of old and inadequate hospitals in Kuala Lumpur, Seremban and Klang at a cost of

$45 million. The hospital programme also provides for the completion of the new maternity hospital in Kuala Lumpur by 1962 at a cost of about $5 million.

163. The campaign to bring the serious public health problem of tuberculosis under control involves capital expenditure of over $7 million. This programme is based on the most economical and effective methods, taking full advantage of expert advice, modern drugs and treatment.

164. Underlying the entire health programme is provision for expanded medical education and training. The education programme, as stated in paragraph 157 (5) above, includes provision for establishment of a medical faculty at the University of Malaya. In addition, the plans of the Ministry of Health and Social Welfare are to add to the facilities for training other medical personnel. Capacity for training nurses and hospital assistants will be nearly doubled, and for assistant nurses and midwives, more than doubled. The outturn of dental technicians will also be increased as well as of general health staff. The capital cost of the training programme is estimated at about $13 million during 1961-1965.

165. The remaining elements of medical and health plan include $5 million for a medical store cum pharmaceutical laboratory for more efficient and economical processing of drugs; $2.5 million for improvement of facilities in the psychiatric field; $2 million for leprosy services and $1 million for dental services, especially in the rural areas.

(c) Social Welfare

166. The investment plan for social welfare services amounts to $6 million of which just over 40 per cent would be spent on homes and training centres for the physically handicapped and the aged. The remainder of the welfare programme includes facilities for probation and approved school services, youth leadership training and other youth services, children's homes, homes for women and girls, and staff training.

(d) Housing

167. It is proposed to invest $80 million in providing living accommodation compared with actual expenditure of $65 million during the period of the First Plan. This expenditure is in addition to the various schemes for institutional housing. For example, the programme for constructing post offices, educational buildings and rural or urban health centres provide for the living accommodations of the personnel who are required to live on or near the premises where they work.

168. It is the policy of the Government to assist families with incomes of less than $300 per month by providing facilities for low cost housing

through the Housing Trust. During the last five years about 1,350 units were constructed at a cost of $5.4 million. The Second Five-Year Plan provides for a total expenditure of $45 million, including the schemes which will be undertaken under the auspices of the Kuala Lumpur, George Town and Malacca municipalities. These funds should make possible the construction of about 9,000 housing units which can be rented or purchased with instalments credit. The Plan allocates $13 million to the Malaya-Borneo Building Society which specialises in erection of houses for sale. Another $8 million will be spent by the Public Works Department in building quarters for transferable officers of the civil service and $14 million for accommodation for the daily-rated staff.

(v) GENERAL ADMINISTRATION

169. The Plan for public investment includes about $95 million for general administrative purposes (excluding defence capital outlays of about $60 million). The main items included in general administration are just over $10 million for a new Parliament building, $33 million for capital requirements of the Police, $10 million for overseas diplomatic establishments, $4 million for customs and excise facilities and $3 million for prison improvements. The balance includes various Federal, State and Municipal buildings and facilities and other miscellaneous works.

TABLE VI

SECOND FIVE-YEAR PLAN 1961-65

Summary of Public Investment

(Arranged by Ministries/Depts.)

Ministry/Department (1)		($ *million*) (2)	*Remarks* (3)
1. MINISTRY OF JUSTICE:			
(*a*) Judicial Department		1.00	
Sub-total ...		1.00	
2. PRIME MINISTER'S DEPARTMENT:			
(*a*) Department of Information		2.00	
(*b*) Department of Broadcasting		5.00	
(*c*) Department of Statistics		2.00	
(*d*) Museum		1.50	
(*e*) Land for Staff Training Centre		.04	
(*f*) Government contribution to National Mosque		2.00	
(*g*) Indoor Sports Stadium		1.30	
(*h*) Economic Planning Organisation		.06	
Sub-total ...		13.90	
3. MINISTRY OF THE INTERIOR:			
(*a*) Fire Services		0.40	
(*b*) Department of Chemistry		.25	
(*c*) Printing Department		1.70	
(*d*) Prisons Department		3.00	
(*e*) Housing (other than under P.W.D.)—			*Inclusive of housing proposals submitted by Municipalities.*
M.B.B.S.	13.00		
Low Cost Housing	45.00		
		58.00	
(*f*) Municipalities—			
Sewerage	8.00		
Municipal Buildings ...	2.70		
Power Station, Penang ...	4.00		
General Improvements	14.00		
		28.70	
(*g*) Department of Aborigines		1.50	
Sub-total ...		93.55	
4. MINISTRY OF DEFENCE:			
Armed Forces Division		60.00	
Sub-total ...		60.00	

Ministry / Department (1)	($ million) (2)	*Remarks* (3)
5. MINISTRY OF INTERNAL SECURITY:		
Police	33.00	
Sub-total ...	33.00	
6. MINISTRY OF COMMERCE AND INDUSTRY:		
(*a*) Rubber Replanting	165.00	
(*b*) Central Electricity Board—		
Cameron Highlands Scheme and related projects 132.00		
Thermal Power Station, Johore Bahru 25.00		
Thermal Plant at Butterworth ... 25.00		
Diesel Installations 4.00		
Transmission Lines 9.00		
Improvement and Extension of Power Distribution including Rural Electrification 53.00		
Miscellaneous ... 2.00		
	250.00	
(*c*) Industrial Development—		
Industrial Estates 7.50		
Institute of Industrial Technology... 1.65		
Industrial Productivity Centre ... 0.14		
M.I.D.F.L. 2.50		
	11.79	
(*d*) Tourism	0.25	
(*e*) Pineapple Cannery	5.00	
Sub-total ...	432.04	
7. MINISTRY OF EDUCATION:		*"Red Book" proposals for schools in rural areas are incorporated in this programme.*
Primary Schools Programme 24.40		
Continuation Schools Programme ... 29.80		
Secondary Schools Programme 105.20		
Technical Education Programme (includes Technical College) 20.60		
Teacher Training 9.50		
University of Malaya 34.20		
Other education projects (including continuation projects, Ra'ayat Schools, hostels, rural teachers' quarters, etc.) ... 36.30		
	260.00	
Sub-total ...	260.00	

Ministry / Department (1)		($ *million*) (2)	*Remarks* (3)
8. MINISTRY OF HEALTH AND SOCIAL WELFARE:			*"Red Book" proposals are incorporated in this programme.*
(*a*) Medical and Health—			
Rural Health Services	40.00		
Improvement to Hospitals	24.00		
New General Hospitals (Kuala Lumpur, Seremban and Klang)...	45.00		
Maternity Hospital, Kuala Lumpur	5.00		
Tuberculosis Control	7.00		
Improvement to Dental Service ...	1.00		
Pharmaceutical Laboratory ...	5.00		
Training Programme	13.00		
Psychiatric Services	2.50		
Leprosy Services	2.00		
Others	0.50		
		145.00	
(*b*) Social Welfare		6.00	
Sub-total ...		151.00	
9. MINISTRY OF LABOUR:			
(*a*) Department of Labour and Industrial Relations		2.40	
(*b*) Central Apprenticeship Board			
Sub-total ...		2.40	
10. MINISTRY OF RURAL DEVELOPMENT:			
(*a*) Game Department		0.15	
(*b*) Rural and Industrial Development Authority		10.00	
(*c*) Survey Department		5.94	
(*d*) Geological Survey Department		1.00	
(*e*) Federal Land Development Authority ...		175.00	
(*f*) Land Development—Group Settlement Act		16.00	
(*g*) Mines Department—Research Division			
(*h*) Mines Department—Mineral Investigation Drilling Unit		0.45	
Sub-total ...		208.54	
11. MINISTRY OF AGRICULTURE AND CO-OPERATIVES:			*"Red Book" proposals are incorporated in these programmes.*
(*a*) Department of Fisheries		7.18	
(*b*) Forest Department		5.00	
(*c*) Veterinary Department		10.00	
(*d*) Drainage and Irrigation Department ...		100.00	
(*e*) Co-operative Department		5.00	
(*f*) Co-operative Credit		20.00	
(*g*) Agriculture Department		20.00	
(*h*) Coconut Rehabilitation and Replanting ...		15.00	
Sub-total ...		182.18	

Ministry / Department (1)		($ *million*) (2)	*Remarks* (3)
12. MINISTRY OF WORKS, POSTS AND TELECOMMUNICATIONS:			
Public Works Department—			
(*a*) Road Programme			*"Red Book" proposals are incorporated in this programme.*
Route I Improvement and Bridges	20.00		
Route II Improvement and Bridges	22.00		
Route III Improvement and Bridges	8.00		
Other Federal routes Improvement and Bridges ...	28.00		
New Road Construction ...	9.00		
Road System Survey ...	0.50		
Unallocated Federal Roads	12.50		
State and Rural Roads ...	90.00		
	190.00		
(*b*) Plant and Equipment		68.65	
(*c*) Water Supplies		140.00	
(*d*) P.W.D. Government Buildings (other than Housing)		33.92	
(*e*) P.W.D. Government Housing—			
Housing for public service ...	8.00		
Daily rated quarters ...	14.00		
	22.00		
		454.57	
Postal Services		17.85	
Telecommunications Department—			*This programme incorporates all "Red Book" proposals.*
Extension of Subscribers' network ...	14.20		
Expansion of Existing Automatic Exchange	3.40		
New Automatic Exchange	5.70		
Automatic Trunk Dialling	1.50		
Telephone Call Office Rural Areas ...	1.00		
Micro Wave Links on West Coast ...	8.40		
Expansion of Telegraph System ...	1.30		
Training School	4.00		
Other	10.50		
		50.00	
Sub-total ...		522.42	

Ministry / Department (1)		($ *million*) (2)	*Remarks* (3)
13. MINISTRY OF TRANSPORT:			
(*a*) Marine Department		4.00	
(*b*) Department of Civil Aviation—			
Kuala Lumpur International Airport	48.20		
Construction and Extension of Runways Malacca, Kota Bharu and Penang	2.00		
Miscellaneous Buildings, Equipment and Quarters	1.80		
		52.00	*To be met from provision under P.W.D. Buildings.*
(*c*) Road Transport		—	
(*d*) Malayan Meteorological Services		0.34	
(*e*) Malayan Railways—			
Dieselisation	20.00		
Commercial Development	4.00		
Rolling Stock	23.00		
Permanent Way Improvements ...	11.00		
Prai Butterworth Extension ...	7.00		
		65.00	
(*f*) Ports—			
(i) Port Swettenham	38.97		
(ii) Penang Port Commission ...	16.00		
		54.97	
Sub-total ...		176.31	
14. MINISTRY OF EXTERNAL AFFAIRS:			
(*a*) External Affairs		10.00	
Sub-total ...		10.00	
15. MINISTRY OF FINANCE:			
(*a*) Customs and Excise		4.00	
Sub-total ...		4.00	
GRAND TOTAL ...		2,150.34	

CHAPTER IV

Financing the Second Five-Year Plan of Development

170. The estimated investment requirements to fulfil the objectives of the Second Five-Year Plan are, as explained in Chapter II, about $5,050 million. Of this amount, about $2,150 million would be required for investment by the Federal and State Governments and public enterprises such as the Central Electricity Board, the Malayan Railway and the Penang Port Commission. In the case of these enterprises the total figure includes the amounts they would invest from their own surpluses and depreciation and renewal funds as well as from loans from other sources. Also included in the total are transfers from the Treasury to assist private development—government grants for the rubber and coconut replanting programmes and financing the credit extended by the co-operative societies, Rural and Industrial Development Authority, Malayan Industrial Development Finance Ltd., the Malaya-Borneo Building Society and the Housing Trust. In the private sector the level of gross investment envisaged in the Plan during the next five years is in the order of $2,900 million including expenditures on smallholders' rubber replanting financed from the Smallholders Replanting Fund (Fund B).

171. The investment magnitudes of the Second Five-Year Plan are substantially larger than in the past as previously noted. They are, nevertheless, magnitudes which the Federation can afford to spend on the development of the economy without inflation or other adverse effects on the country's monetary and financial stability and international financial standing.

172. The means of financing the public and private investment requirements of the Second Five-Year Plan and the financial and balance of payments patterns envisaged during the Plan period are discussed in the remainder of this chapter.

I.—FINANCING THE SECOND PLAN OF PUBLIC INVESTMENT

173. A reasonable financial plan for public investment must fulfil two essential conditions. The first is that current expenditure should not outrun current revenue in the course of the period (excluding debt amortization charges which are compensated by increases in assets in the case of transfers from revenue to sinking funds and/or by a reduction in liabilities in the case of debt repayment). The second condition is that capital expenditures should be kept to levels which will not require inflationary financing and which can be met from surpluses of the Government and public enterprises together with reasonable amounts of borrowing and prudent use of government balances.

(*a*) REVENUE PROSPECTS

174. The total of Federal and State revenues in 1960 was at a record level, reflecting the high rubber prices of 1959 and 1960, the revival of the tin industry, the generally buoyant state of the economy and recent increases in income tax rates and coverage. The recent trend of rubber prices has been downward, however, and as indicated previously the Plan has been prepared on the assumption that average rubber prices during 1961-1965 will be 25 per cent lower than in 1960. On this assumption revenue from rubber export duties will be considerably less in 1965 than in 1960 despite an expected increase in production of over 10 per cent. Some decline in income tax revenue may also be expected.

175. On the other hand, revenue from sources other than rubber duties and income taxes should increase over the 1961-1965 period in correspondence with growth in the total economy. Some rise in revenue from export duties other than on rubber appear likely, indirect tax revenue should keep up with rising total income and a considerable rise in other Federal and State receipts appears a reasonable expectation with expansion of the economy.

176. On balance it would appear a valid basis for planning to assume that annual Federal and State revenues during 1961-1965 will run around $1,150-$1,250 million or, say, about $1,200 million on the average. This would mean a continuation of Federal and State revenues at approximately the actual 1960 level.

(*b*) RECURRENT EXPENDITURE

177. Federal and State recurrent expenditures during 1961-1965 have been estimated at amounts which would meet the development requirements of the Second Five-Year Plan and other administrative needs, but which would at the same time be consistent with the principle of preventing the emergence of a current budget deficit by the end of the development plan period.

178. Some details of the allowances for recurrent expenditure in the Second Five-Year Plan are as follows:

(1) *General Administration.*—The total of items in this category amounted to $190 million in the Federal and State budgets for 1960. Such expenditures have been held fairly constant in recent years but some increases are expected to be necessary during the 1961-1965 period and the Plan estimates allow for a rise of about 13 per cent by 1965.

(2) *Defence and Security.*—This recurrent expenditure was about $180 million in 1960, including Emergency outlays. Now, with the termination of the Emergency it is assumed that the total recurrent expenditure for defence and police purposes can continue on a more or less steady level.

(3) *Pensions.*—Requirements are estimated for 1965 at about $62 million or somewhat less than in 1960 in accordance with progress of the Malayanisation programme.

(4) *Debt Service.*—The estimate for 1965 is based on existing debt requirements and the additional service associated with the public borrowing levels during 1961-1965 which are assumed in the Second Five-Year Plan and which are subsequently discussed.

(5) *Social Services.*—(Education, Medical and Health, Social Welfare, Broadcasting, Information and Fire Services). Recurrent expenditure for education and for health services in the 1960 budget amounted to $255 million or more than 25 per cent of the recurrent Federal and State budgets. But the further financial requirements for improving and expanding the education and health services are still large. In consideration, on the one hand, of the needs in these fields, and on the other hand, of the financial requirements to be met for other purposes within the limitations of a balanced budget, the Five-Year Plan provides for an increase in recurrent education expenditure from $175 million in 1960 to $270 million by 1965 after allowance for additional income from school fees. The figure for recurrent medical and health expenditure in 1965 is $110 million compared with $80 million in 1960. Allowance for planned improvements in the other social services involves an increase from about $18 million in 1960 to $22 million in 1965.

(6) *Economic Services.*—(Agriculture, Co-operatives, Forestry, Veterinary, Fisheries, Drainage and Irrigation, Surveys, Rural Development, Transport, Works, Posts and Telecommunications). The trend of recurrent expenditure for these various economic services during 1965 has been estimated on the basis of approximate requirements associated with the development programmes of the Second Five-Year Plan and the maintenance of existing and new assets. In total, the recurrent spending for these services is estimated to increase from about $180 million in 1960 to about $220 million by 1965.

179. In summary, the planned recurrent expenditure in 1965, as compared with the 1960 budget would be about as follows:

TABLE VII

FEDERAL AND STATE RECURRENT EXPENDITURE 1960 AND PROJECTED FOR 1965

(millions of dollars)

	1960 (budget)			*1965 (projection)*
	Federal	*State*	*Total*	*Total*
General Administration	110.8	79.8	190.6	215
Defence and Security	180.4	—	180.4	185
Pensions	72.5	—	72.5	62
Debt Service	79.8	—	79.8	175
Education	174.6	—	174.6	270*
Medical and Health	79.6	—	79.6	110
Other Social Services	13.6	4.0	17.6	22
Agriculture (Dept.)	3.6	4.7	8.3	11
Co-operatives	2.5	—	2.5	3
Fisheries	0.9	—	0.9	1
Forestry	1.3	6.0	7.3	8
Veterinary	1.1	2.0	3.1	4
Drainage and Irrigation	2.0	11.4	13.4	17
Surveys	11.2	—	11.2	14
Other Rural Development	2.5	0.8	3.3	5
Transport	6.9	—	6.9	8
Public Works	27.8	61.2	89.0	110
Posts	13.8	—	13.8	17
Telecommunications	18.9	—	18.9	23
Total	803.8	169.9	973.7	1,260
Less: Debt Repayment and Transfer to Sinking Funds			30.0	60
			944	1,200

180. With recurrent expenditure rising between 1960 and 1965 as indicated above, and with revenue running around $1,200 million on the average, the trend of the current Federal and State budgets during 1961-1965 would be one of a narrowing surplus over most of the Plan

* Net of school fees.

period and an approximately balanced position by 1965. The sum of the surpluses over the five-year period may be estimated at about $420 million before amortization of debt, or about $200 million after allowance for debt amortization.

II.—PUBLIC CAPITAL EXPENDITURE AND ITS FINANCING

181. The public investment plan for 1961-1965 including capital outlays for defence, and covering the Federal and State Governments and the public enterprises, would, as noted earlier and as described in detail in Chapter III, amount to $2,150 million. Funds available from current surpluses toward the financing of the public programme may be estimated at about $340 million including about $200 million of Federal and State surpluses after debt amortization and about $140 million from surplus, renewal and depreciation funds of the Central Electricity Board, the Malayan Railway and other public enterprises. The overall deficit in the public financial accounts for the 1961-1965 period as a whole would be about $1,810 million.

182. Means for financing this deficit include borrowing from among the Employees Provident Fund, the Currency Board, the commercial banks, the Post Office Savings Bank and foreign sources, and the use of government balances. The distribution of the financing among these various sources is of course flexible and would depend on a variety of considerations. The following is, therefore, only one among several possible and reasonable arrangements for financing planned public investment.

183. Possibilities for government and public agency borrowing from the Provident Fund during 1961-1965 may be estimated at around $500 million (compared with about $400 million in 1956-1960). This will be considerably less than the expected availability of loanable funds from the E.P.F. if allowance is made for extended coverage contemplated during the 1961-1965 period. It is expected, however, that the E.P.F. will also be a source of substantial investment financing outside the public sector in the course of the Five-Year Plan period.

184. The scope for financing from the Currency Board is expected to be in the order of $200 million, and it is reasonable to expect investment of postal savings in public securities to the extent of about $50 million during the next five years. A net increase in outstanding credit from the commercial banks by about $150 million over five years should be feasible if terms and liquidity arrangements are offered on a basis comparable to those which the banks can obtain abroad.

185. Finally, it is reasonable for the Federation to consider external

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sources as a means of financing a considerable share of the public investment programme. The amount of grant assistance from abroad during 1961-1965 may well be at least as much as $50 million, judging by the generous grants that the Federation has received in the past from the United Kingdom and Colombo Plan sources. Substantial financing is also allowed for from foreign borrowing to the extent of about $535 million gross, or about $315 million net after allowance for estimated amortization of external debt and investment of sinking funds abroad during the period. The allowance for financing from foreign loans is well within the Federation's external borrowing capacity. At present the Federation's foreign debt is small—about $450 million. Annual charges for interest and amortization are equivalent only to about one per cent of export earnings. Additional borrowing on the proposed scale would increase the annual foreign debt service charges to a level which would still be less than 3 per cent of export receipts. This is quite a low figure by international standards. Of the amount of gross foreign borrowing proposed in the Plan, about $180 million or more than a third, is already available from undrawn balances of approved loans from the World Bank, the United States Development Loan Fund, Brunei and the Export Credit Guarantee Department and the Colonial Development Corporation of the United Kingdom.

186. In summary, the financing possibilities from these various sources may be estimated at about $1,485 million, including $1,435 million from domestic and foreign borrowing and $50 million from grant assistance. This compares with the over-all public deficit, previously discussed, of $1,810 million and leaves a remaining balance of $325 million to be covered. This amount could well be met from the Government's foreign balances (excluding sinking funds). The level of official balances at the end of 1960 (excluding sinking funds and balances of the Bank Negara, the Currency Board, the Employees Provident Fund and the Post Office Savings Bank) was approximately $760 million. Perhaps $75 million will be required from these balances during 1961-1965 for net withdrawal from the Smallholder's Rubber Replanting Fund, the Anti-Inflationary Rubber Cess Fund and other miscellaneous accounts. Further use of about $325 million for financing the public development programme during 1965 would still leave a comfortable level of government foreign balances by 1965 of over $350 million in addition to accumulated sinking funds. Total foreign assets including sinking funds would be around $650 million.

187. The financial plan discussed above, with comparisons of public investment financing in the last five years, is summarised in the following table.

TABLE VIII

SOURCES OF FINANCE FOR PUBLIC INVESTMENT

(millions of dollars)

	Approximate Actual 1956-1960	*Planned 1961-1965*
1. Federal and State Budgetary Surplus after debt repayment and transfer to sinking funds ...	387	200
2. Renewal Funds and Current Surpluses of public enterprises	100	140
Current Surplus	487	340
3. Employees Provident Fund	394	500
4. Post Office Savings Bank	33	50
5. Currency Board	—	200
6. Other Local Borrowing (including banks) ...	179	150
Total Domestic Borrowing ...	606	900
7. Foreign Loans	124	535
8. Grant Assistance	153	50
Total External Sources ...	277	585
9. Use of Government Balances*	- 363	325
GRAND TOTAL ...	1,007	2,150

188. The changes in the consolidated foreign balances of the Federal and State Governments and public enterprises by 1965 under a financial plan as indicated above would be approximately as follows (in millions of dollars):

TABLE IX

PROJECTED CHANGES IN FOREIGN BALANCES OF THE GOVERNMENT, 1961-65

	Official Balances (excluding Sinking Funds)	*Sinking Funds*	*Total*
End of 1960			
Foreign Assets	760†	149	909
Changes 1961-1965			
Development Plan Deficit Financing ...	- 325	—	- 325
Miscellaneous Withdrawals	- 75	—	- 75
Debt Amortization Transfers from			
Revenue	—	+ 220	+ 220
Debt Repayment	—	- 80	- 80
Total ...	- 400	+ 140	- 260
End of 1965			
Foreign Assets	360	289	649

* The approximate actual increase in government balances was $303 million. About $60 million was withdrawn from miscellaneous accounts.

† The estimate of government balances at the end of 1960 is somewhat larger than a figure which would be precisely consistent with the estimated use of government balances during 1956-1960 shown in the preceding table. This is because the figures for expenditures and financing during 1956-60 in the preceding table include approximations for 1960 and will require minor revisions when the actual accounts become available.

III.—FINANCING OF PRIVATE CAPITAL EXPENDITURE

189. Private investment required to meet the objectives of the Second Five-Year Plan has been estimated at around $2,900 million during 1961-1965, as discussed in Chapter II. Most of this investment can be financed from the national savings of the country, even though the average amount saved each year is likely to be considerably less in 1961-1965 than it has been in 1960, and not much more than the average during 1956-1960. The reason for the decline in the rate of savings, as explained in Chapter II, is that the Plan is formulated on the assumption of maintaining existing standards of *per capita* consumption, or in other words an increase in total consumption at the same rate as in population. National income may not be able to keep pace with rising population, however, if rubber prices decline sharply. Hence, if income increases more slowly than consumption the proportion of income saved would decline.

190. The total amount of national saving during 1961-1965, on the above assumption, may be estimated around $3,700 million, out of a total projected income during the Plan period of over $31,000 million. This would be a rate of saving of about 12 per cent. It is about the same rate as during the 1956/60 period as a whole, but less than the probable figure for 1960 alone of about 16 per cent.

191. Part of the estimated $3,700 million of savings—about $1,285 million—would be absorbed by the Government and public enterprises in financing the five-year public investment plan. The balance of total domestic saving—about $2,415 million—would be available for most of the estimated private investment required to meet the objectives of the Plan. The remaining financing necessary to bring private investment to the target level of $2,900 million could be reasonably expected from foreign sources. The amount required, about $485 million, would probably be mainly in the form of reinvested earnings of foreign owned estates and other enterprises in the Federation (which probably amounted to about $400 million during 1956-60), together with some inflow of new private capital for such purposes as the proposed petroleum refineries and other new enterprises.

192. For illustrative purposes, the following table indicates the sources of financing private investment. It also shows the corresponding pattern for the financing of public investment which would be in accordance with the public financial plan previously described.

TABLE X

SOURCES OF FINANCE FOR PRIVATE AND PUBLIC GROSS INVESTMENT DURING SECOND FIVE-YEAR PLAN, 1961-1965

(millions of dollars)

I.—*Total Sources of Finance:*		
National Savings	3,700	
Net Foreign Capital and Use of External Assets ...	1,350	
Total ...	5,050	
II.—*Sources of Finance for Private Investment:*		
Self-finance and Other Private Non-Bank Sources		1,750
Employees Provident Fund		200
Rubber Replanting Fund (Fund B)		185
National Savings Borrowed from Banking System		280
Sub-total: Private Finance from National Savings ...		2,415
Private Foreign Capital (including retained earnings of foreign companies)		485
Total ...		2,900
III.—*Sources of Finance for Public Investment:*		
Surplus of Government and Public Enterprises Before Amortization of Government Debt		560
Transfers to Private Sector from Government Balances		— 75
Total: Public Savings ...		485
Employees Provident Fund and Post Office Savings Bank		550
National Savings Borrowed from Currency Board and Banks ...		250
Sub-total: Government Finance from National Savings ...		1,285
Foreign Loans and Grants Less Debt Repayment		505
Borrowing from External Balances of Currency Board and Banks ...		100
Reduction in Government Balances (including sinking funds) ...		260
Total ...		2,150

193. The real problem of financing private investment appears to be not so much in the overall availability of the necessary funds, but rather in the adequacy of institutional channels through which savings can be conveniently directed and distributed among the different forms of productive investment. Most of the private financial institutions are primarily specialized in the extension of short-term commercial credit.

Arrangements for longer term institutional credit are still quite limited and much of such financing takes place through unorganized financial markets—merchants, money lenders, individuals with capital for investment, etc. But unless he has access to such non-institutional sources, an industrialist, for example, may be unable to start or expand his enterprise even when its prospects are financially promising.

194. Steps to improve this situation have already been taken through the use of existing institutions and the creation of new institutions as a means of channelling public as well as private funds into productive private investment. Such institutional channels include the Malayan Industrial Development Finance, Ltd., the Malaya-Borneo Building Society, the Housing Trust and the credit activities of the Co-operative Societies and R.I.D.A. But there is clearly a need for further development of the activities of these and other public and private financial institutions in attracting and channelling private savings into productive uses. A substantial advance in this direction could be expected from measures under consideration to widen the field of investments eligible for financing from the Employees Provident Fund. The Bank Negara is now studying the possibilities for more effective organization of transactions in shares and other securities and for other means to improve the organization and efficiency of credit activities.

195. Further improvement should result from the development of services by M.I.D.F.L., the Co-operative Societies, R.I.D.A. and others and from the proposed productivity centre to assist prospective investors in the commercial, technical and financial analysis and presentation of their proposals. Another important need for fostering private development is the improvement of information about the course of private economic activity. Steps to this end have been taken in the form of recent censuses of manufacturing and agriculture which are now being tabulated and analysed by the Statistics Department. Periodic repetition of these on a sample basis will greatly improve the knowledge of the situation and trends in the private sector and provide a more effective guide to public policy. Another important requirement is a survey and periodic sampling of employment and unemployment levels and trends which is also in preparation.

IV.—THE BALANCE OF PAYMENTS

196. This discussion of the financial aspects of the Second Five-Year Plan may be concluded with an indication of the balance of payments pattern for the Federation which is envisaged in the Plan during 1961-1965.

197. Export earnings during the period may be only slightly higher than in the last five years. Rubber volume is likely, as noted, to increase by more than 10 per cent above the 1960 figure as immature areas come

into production. Offsetting this, however, is the assumed decline in rubber prices so that rubber earnings in 1965 may well be less than in 1960 and for the 1961-1965 period as a whole only about same as during 1956-1960. Tin export earnings may increase somewhat above the 1960 figure but seem unlikely to reach the pre-restriction level of 1957. A steady rise in the Federation's remaining exports—iron-ore, palm oil, coconut products, timber and others—is a reasonable expectation. On the whole, export earnings in 1961-1965 may be a little higher than during 1956-1960, perhaps up to about 10 per cent, but the export level in 1965 may be somewhat below that of 1960.

198. Imports on the other hand should increase by a considerably larger percentage under the assumption of rising consumption, in correspondence with population growth, and with the large increase in import requirements for the expanded investment targets of the Plan. This seems likely to be the case even though it is to be expected that in the course of further economic development an increasing amount of goods of the kind now imported will be produced in the Federation.

199. With the rise in imports at a higher rate than in exports, the trade surplus of the Federation will probably be smaller in 1960-1965 than in the past five years. The implications of the investment and consumption targets of the Plan are that the trade balance will be less than the amount of other net payments for foreign services, interest and dividends, profits and other remittances and other current foreign transactions.

200. The consequence of this would be a deficit on foreign payments and receipts for goods, services and private remittances, compared with a substantial recorded surplus during the last five years (or something near a balance if transactions in goods and services are adjusted to allow for unrecorded net payments).

201. In line with the various estimates and assumptions of the Five-Year Plan the deficit in the Federation's current transactions with the rest of the world for the period 1961-1965 would be about $1,350 million. This deficit would be financed by the combination of foreign capital movements and the use of external balances indicated in Table X (page 63) on the sources of financing private and public investment.

202. A notional summary of the kind of balance of payments pattern for 1961-1965 which corresponds with the overall financial plan is shown in the following table.

TABLE XI

BALANCE OF PAYMENTS PATTERN FOR 1961-1965 ASSUMED IN THE SECOND FIVE-YEAR DEVELOPMENT PLAN

(millions of dollars)

Exports*	13,000
Imports*	12,400
Trade Surplus ...	600
Net Payments on Services, Interest and Dividends, Private Remittances, etc.	1,950
Deficit on Goods, Services and Private Remittances	1,350
Deficit Financing—	
Foreign Grant Assistance	50
Government Capital Account—	
Borrowing from Foreign Balances of Currency Board and Banks ...	100
Use of Foreign Balances of the Government (including sinking funds)	260
Gross Foreign Borrowing *less* Debt Repayment	455
Total ...	865
Private Capital Account—	
Net Inflow of Re-invested and New Foreign Capital	485
Net Capital Inflow	1,350

V.—SUMMARY

203. The different financial pieces of the Second Five-Year Development Plan may now be brought together into a schematic summary table indicating the broad magnitudes of the financial framework which corresponds with the assumptions and objectives of the Plan and within which the Plan has been prepared. The conclusion that emerges from this financial discussion is that the financing of the Plan though a task of some magnitude, is nevertheless possible within a framework ensuring the continuation of internal financial stability and the soundness and strength of the Malayan dollar. The more difficult tasks are outside the realm of money. The real challenge of the Plan is less one of raising funds than of raising and sustaining levels of initiative, efficiency, drive and effort.

* Includes re-exports and imports for re-export.

TABLE XII

THE PATTERN OF NATIONAL ACCOUNTS ASSUMED IN THE SECOND FIVE-YEAR PLAN OF DEVELOPMENT.

(millions of dollars)

	1960 (Approximations)	*1965 (Projections)*	*1961-1965 (Projections)*
*Total National Output**	*5,900*	*6,740*	*31,300*
Private Consumption	3,890	4,580	21,600
Current Government Expenditure	870	1,140	5,000
Transfers Abroad	210	190	1,000
Total Current Expenditure	*4,970*	*5,910*	*27,600*
Public Investment	250	520	2,150
Private Investment and Stock changes	430	650	2,900
Total Capital Expenditure	*680*	*1,170*	*5,050*
Gross Savings	930	830	3,700
Gross Savings Minus Gross Investment	*250*	*– 340*	*– 1,350*
Exports	2,850	2,750	13,000
Imports	2,240	2,700	12,400
Balance of Trade	*610*	*50*	*600*
Net Invisible Payments (Adjusted for Unrecorded transactions)	360	390	1,950
Balance of Payments on Current Account	*250*	*– 340*	*– 1,350*

* Gross National Product at Market Prices. 1965 figures allow for decline in rubber prices.

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APPENDIX TO TABLE VI

RED BOOK PROJECTS

ALLOCATION UNDER THE SECOND FIVE-YEAR PLAN 1961-65

		($ in million)
Department of Agriculture		9.60
Veterinary Department		6.20
Fisheries Department		.09
Forestry Department		.30
Co-operative Department		2.83
Drainage and Irrigation Department:		
(*a*) Minor Works	39.15	
(*b*) River Clearing	10.00	
		49.15
Land Development:		
(*a*) Federal Land Development Authority		175.00
(*b*) Group Settlement		16.00
Rural and Industrial Development Authority		10.00
State and Rural Roads		90.00
Water Supplies		40.00
Public Works Department Plant and Equipment		15.00
Telecommunications		2.50
Electricity		4.00
Education		10.00
Health		10.00
Total		440.67